INITIATING COVERAGE
Life Science & Diagnostic Tools: Diagnostics
November 26, 2013

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VERACYTE (NASDAQ:VCYT)

Initiation: Clinically Validated Product Addressing Large Unmet Need

Recommendation

Rating:	Outperform
Price Target (in $):	$16.00
Expected Return:	40.8%
Dividend:	NA
Enterprise Value (MM):	$199.7

Revenue (MM)

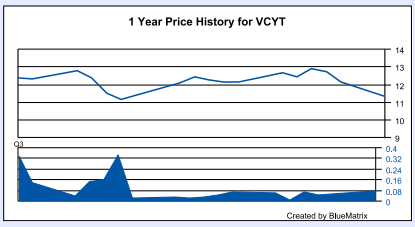
	2012A	2013E	2014E
Q1	1.5	4.4*A*	7.5
Q2	2.5	5.1*A*	8.5
Q3	3.2	5.6*A*	9.9
Q4	4.5	6.9	14.2
FY	11.6	22.0	40.0
EV/S	17.2x	9.1x	5.0x

Stock Statistics as of 11/25/2013 (in $)

Price:	$11.36
52W Range:	$14.12-$10.88
Market Cap (MM):	$259.6
Net Debt (MM):	$(59.9)

Fundamentals

Earnings Per Share ('12A)	*$(1.52)*
Earnings Per Share ('13E)	*$(1.77)*
Earnings Per Share ('14E)	*$(1.05)*
P/E ('12)	NM
P/E ('13)	NM
P/E ('14)	NM



Veracyte is a commercial stage diagnostics company with a test that reduces the number of unnecessary thyroid surgeries. Given recent execution, expanding payer coverage, and a large market potential, we initiate at Outperform.

Targeting a Large, Underserved Specialty Market

Veracyte currently targets the thyroid nodule risk classification market estimated to be ~ $500MM in the US and ~$300MM OUS. Through the Afirma Gene Expression Classifier (GEC) test, Veracyte is able to better predict the risk of thyroid cancer from patients with indeterminate cytopathology test results, estimated to be ~100,000 cases per year in the US.

Significant Unmet Medical Need

Thyroid patients with indeterminate cytopathology results are usually recommended for surgery; however, a vast majority of these patients turn out to be benign for cancer. Accordingly there are many unnecessary surgeries with associated cost and risk of complications. A health economics study published in 2011 estimated that if fully adopted, the Afirma GEC could potentially generate >$500MM in savings to the healthcare system over five years.

Validation Via Clinical Data, Guideline Recommendation, and Payer Coverage Decisions

Over half a dozen clinical validation, utility, and cost effectiveness studies have been published in leading journals, leading to guideline recommendations from the National Comprehensive Cancer Network (NCCN) and positive coverage decisions from Medicare, United, Aetna, etc. covering >100MM lives.

Rapid Adoption and Growth Profile Makes Valuation Compelling

VCYT's initial product launch was in early 2011; total revenue more than tripled in 2012 and is projected to nearly double in both 2013 and again in 2014 to $42MM. On a 2014 and 2015 EV/revenue basis, VCYT shares trade at a ~50% discount to the comp group.

Please see addendum of this report for important disclosures.

Investment Thesis

Veracyte (VCYT) is a molecular cytology-focused diagnostic company that currently markets the Afirma Gene Expression Classifier (GEC) test, which is used to reduce the number of unnecessary thyroid surgeries in patients suspected of having thyroid cancer. Through a series of clinical validity, utility and health economics studies, VCYT has obtained National Comprehensive Cancer Network (NCCN) guideline recommendations as well as several positive payer coverage decisions, including Medicare, United, Aetna, and Humana, covering >100MM lives in the US. While we acknowledge that the GEC test remains on the earlier stage of product adoption, we believe VCYT is well positioned to gain additional payer coverage and physician adoption over the next several years. Accordingly, we are initiating coverage of VCYT with an Outperform rating as we believe shares are well positioned to outperform the market by at least 15% over the next 12 months.

Key Investment Highlights

- Clinically validated solution with demonstrated utility and cost effectiveness in an area with a clear unmet medical need
- Already included in key NCCN guidelines and under coverage by Medicare and several other commercial payer with >100MM lives
- Large, underserved specialty markets valued at ~$500MM in the US and ~$300MM OUS
- Large unmet medical need
- Partnership with Genzyme reduces upfront sales and marketing investment
- Product pipeline with multiple high-value solutions

Key Investment Risks

- Timing of obtaining additional payer coverage hard to predict
- Timing of entering into payer contracts hard to predict
- Fluctuation of quarterly results due to significant portion of revenue not recognized on an accrual basis
- Genzyme partnership could become “relatively” expensive
- Highly concentrated product portfolio
- Potential risk of new FDA regulation on Laboratory Developed Tests (LDTs)

Valuation Summary

Relative to a comparable company group that includes Cellular Dynamics, Fluidigm, Foundation Medicine, Genomic Health, and Myriad Genetics, Veracyte trades at a ~50% discount on a 2014E EV/Sales basis. Factoring in the discount valuation relative to these companies while noting the strong revenue growth potential, we believe that the risk/reward is attractive at the current valuation, and shares are well positioned to outperform the market by at least 15-20% over the next 12-18 months.

COWEN TEARSHEET: VERACYTE

KEY METRICS

Company Ticker			VCYT
Cowen Rating	1	Price Target	$16
Share Price	11/25/2013		$11
Market Value (MM)			$260
Enterprise Value (MM)			$200
Current Debt/EBITDA			NM
Dividend Yield			0.0%
FCF Yield			(9.7%)
Share Repurchase			No
Short Interest			1.0%

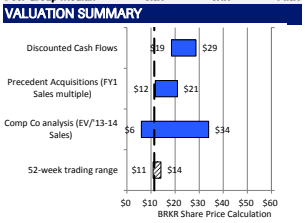
STOCK PERFORMANCE

	YTD 2013	Q1'13	Q2'13
Absolute	N/A	N/A	N/A
vs. S&P 500	N/A	N/A	N/A

VALUATION (2014E)

	EV/Sales	EV/EBITDA	P/E
Company	**5.0x**	**(9.2x)**	**(10.8x)**
5 Year Avg.	NM	NM	NM
5 Year High	NM	NM	NM
5 Year Low	NM	NM	NM
Peer Group Median	**9.0x**	**6.1x**	**14.0x**

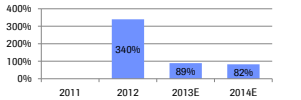
VALUATION SUMMARY



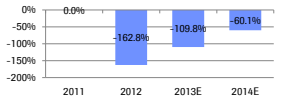
COWEN VS. CONSENSUS

	FY13	FY14	FY15
Revenue	N/A	N/A	N/A
Cowen	$22	$40	$70
Guidance	$21-23MM	$42-45MM	$75-85MM
Gross Margin	N/A	N/A	N/A
Cowen	41.1%	51.0%	65.0%
Guidance	Not Provided	Not Provided	Not Provided
EPS	N/A	N/A	N/A
Cowen	($1.77)	($1.05)	($0.04)
Guidance	Not Provided	Not Provided	Not Provided

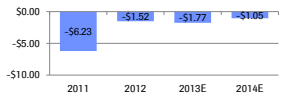
ORGANIC REVENUE GROWTH TRENDS



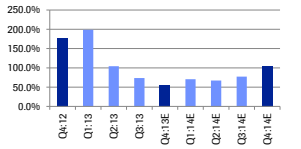
OPERATING MARGIN TRENDS



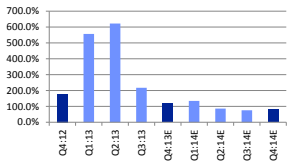
EPS TRENDS



Y/Y GROWTH COMPARISONS



2 YEAR STACKS (Y/Y GROWTH COMPARISONS)



COMPANY DESCRIPTION

Veracyte (VCYT) is a molecular cytology-focused diagnostic company that currently markets the Afirma GEC test used to reduce the number of unnecessary thyroid surgeries in patients suspected of having thyroid cancer. Since the initial commercial launch of Afirma GEC test in Jan 2011, Veracyte has process over 50,000 Fine Needle Aspiration (FNA) based cytopathology samples, and >10,000 GECs. Veracyte currently has 3 additional products under development, including Afirma Malignant GEC, Idiopathic Pulmonary Fibrosis, and Lung Cancer Diagnostic test.

COWEN INVESTMENT THESIS

Via a series of clinical validity, utility and health economics studies, VCYT has obtained NCCN guideline recommendations as well as several positive payer coverage decisions, including Medicare, United, Aetna, and Humana, covering >100M lives in the US. While we acknowledge GEC test remains on the early stage of product adoption, we believe VCYT is well positioned to gain additional payer coverage and physician adoption over the next several years. In addition, we view Veracyte's sales and marketing partnership with Genzyme as supportive of additional physician adoption and volume expansion. Accordingly, we are initiating coverage of VCYT with an Outperform rating.

AREAS OF FOCUS / KEY QUESTIONS

2014 Outlook

- Average revenue per FNA. For FY14, you guided ~60% in Cyto/GEC volume growth and ~100% in revenue growth. What are your assumptions behind the faster revenue growth? Is it due to better pricing, conversion to accrual-based accounting on a higher % of volume, higher international GEC only revenue, or a little bit of all above?
- Private payer coverage and contracting. What are your thoughts on coverage expansion and entering contracts under pre-negotiated prices with payers that already cover GEC in 2014?
- Guidelines. You were recommended by NCCN in Jan 13'. What are the timeline expectations for American Thyroid Association (ATA) and the American Association of Clinical Endocrinologists (AACE)? How important?
- Pricing. What are your average reimbursement prices for Cyto and GEC, for both Medicare and Private payers? How do you see these trending?
- Volume Accrued. What are your expectations for % of Cyto/GEC volume accrued by YE14? Currently you only accrue Medicare (22% of volume).
- GEC rate as a % of FNAs. Where do you expect this rate to be in 2014-15 (was 20% in FY12 and are expecting 19% in FY13).

Product Pipeline

- What are the timelines for additional products under development (GEC Malignant, Idiopathic Pulmonary Fibrosis, and Lung Cancer Diagnostic test)?
- What is the total TAM for these products? US/OUS split?
- Key milestones that we should watch out for?

OUS Expansion

- You are planning to launch GEC internationally in FY14. What are your expectations in terms of pricing, volume and revenue contributions for FY14-15 internationally?

Genzyme Partnership

- You agreed to pay Genzyme a co-promotion fee at 40% of cash revenue in FY13 and Q2:14, and then at 32% for Q2:14 and beyond. Do you expect this rate to go down further as your sales grow into a larger base? What type of sales/marketing support do you get from this deal? Do you envision Veracyte to exit the deal any time soon?
- OUS: What type of support do you get from Genzyme OUS? Will you gain support related to reimbursement, in addition to sales/marketing from Genzyme?

TCP Partnership

- You process all FNA samples received from customers, and then send out to TCP (a group of specialized pathologists) for cytopathology reads. What is your relationship with TCP, and what's your price/Cyto paid to TCP? Do you expect this to improve as volume expands?

Operations and Margins

- What are your gross margin, operating margin, and sales/marketing headcount assumptions heading into FY14?

BULL CASE

2014 & 2015 Revenue Approach $40-45MM & $70-80MM, Respectively. If Multiples Close Gap to 25% Discount To Peers, Shares Positioned For 25-30% Upside

- FNA and GEC volume growth ahead of expectations
- Enters into contracts under negotiated price/FNA and GEC with 1 or more major private payers in FY14
- OUS launch starts to gain momentum
- Better than expected average revenue per FNA
- Additional guidelines recommendations drive further adoption
- Genzyme co-promotion fee reduced in 2014/2015

NEUTRAL CASE

2014 Revenue Approaches $40MM; Investors Remain A Bit Skeptical On Pacing Prior To More Insurance Coverage. Bias Still To Upside With Shares At 40-50% Discount To Peers

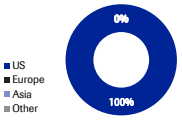
- FNA and GEC volume growth in line with expectations
- Total lives under coverage continues to expand
- OUS launch gains limited traction
- In line average revenue per FNA
- Guidelines recommendations take longer than expected

BEAR CASE

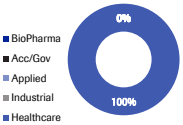
2014 Revenue ~$30-35MM; 2015 Revenue ~$50-60MM; at 3x 2015 ~10-15% Downside

- FNA and GEC volume growth below expectations
- Total lives under coverage continues to expand, but at a slower pace
- OUS launch fails to gain momentum
- In line average revenue per FNA
- Guidelines recommendations take longer than expected
- Genzyme co-promotion fee stays unchanged after Q2:14
- New product launch delays
- Competition starts to emerge in the market

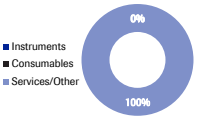
REVENUE BY GEOGRAPHY



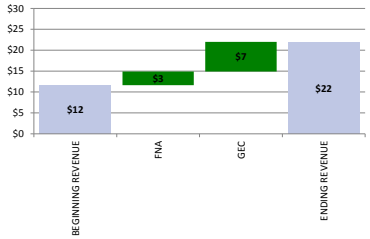
REVENUE BY END MARKET



REVENUE BY PRODUCT CLASS

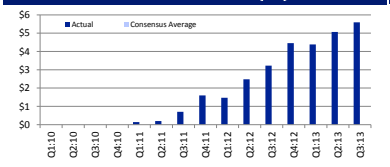


2013E REVENUE WATERFALL: PRODUCT SALES



2013E REVENUE WATERFALL: GEOGRAPHY

PERFORMANCE VS. EXPECTATIONS - REVENUE (MM)



PERFORMANC VS. EXPECTATIONS - EPS

NOT MEANINGFUL

Source: Company Reports, Thomson One, and Cowen and Company estimate

Investment Highlights

Clinically Validated Solution with Demonstrated Utility and Cost Effectiveness

To date, Veracyte has published at least 7 studies covering the validity, utility, and cost effectiveness of the Afirma GEC test in leading journals in the field of thyroid cancer and endocrinology. In addition, several peer-reviewed papers authored by key opinion leaders have been published in journals such as *The New England Journal of Medicine* and *The Lancet*. We believe the existing body of clinical evidence and cost effectiveness studies for GEC form a solid foundation for potential physician and payer adoption.

Already Included in Key NCCN Guidelines and Under Coverage by Medicare and Several Other Commercial Payer with >100MM Lives

In its January 2013 version of thyroid cancer guidelines, the National Comprehensive Cancer Network (NCCN) recommended molecular testing as a way to predict the risk of malignancy for patients with cytopathology indeterminate thyroid nodules, essentially including Veracyte's Afirma test into the guideline as it is the only molecular test that meets the NCCN criteria for indeterminate thyroid nodule risk prediction. With significant clinical evidence and professional endorsements, Veracyte has been able to obtain positive coverage decisions from Medicare, United and several other private payers, covering >100MM lives. Going forward, we are optimistic in Veracyte's ability to continue to drive positive professional guideline and payer coverage decisions.

Large, Underserved Specialty Diagnostics Market Valued at ~$500MM in the US and ~$300MM OUS

According to company-cited data, approximately 525,000 thyroid FNAs were performed in the United States in 2011, growing at 5-10% per year. Based on the company's estimated reflex rate of 17%, this translates into a potential market of 100,000 GEC procedures per year, or an estimated market size of $500MM. In addition, it is estimated that the market potential internationally could amount to approximately $300MM, based on a higher number of eligible patient base, but potentially lower ASP. Since the initial commercial launch of Afirma in January 2011, Veracyte has processed over 50,000 FNAs, and >10,000 GECs, and is on an annualized run-rate of 50,000 FNA and 10,000 GEC/year, or approximately 10% of the total market potential in the US.

Large Unmet Medical Need

Each year, it is estimated that 15-30% of thyroid nodule patients receive indeterminate FNA cytopathology results, and they are usually recommended for surgery; however, 70-80% of these patients who undergo surgery turn out to be benign for cancer, incurring unnecessary surgery cost (~$15,000 per procedure). In addition, there is a risk of complications due to surgery, leaving a patient in need of hormone replacement therapy for life. According to a health economics study published in the Journal of Endocrinology and Metabolism in 2011,

there could be over $500 million in direct cost savings to the healthcare system over five years if Afirma GEC was fully adopted, by reducing the number of unnecessary surgeries.

Partnership with Genzyme Reduces Upfront Sales and Marketing Investment

Veracyte markets and sells its Afirma GEC solution with a sales force consisting of its own sales professionals and members of the Genzyme endocrinology sales team. In January 2012, Veracyte entered into a co-promotion agreement with Genzyme for the co-exclusive right to promote and market Afirma in the United States and in 40 countries pursuant to which Veracyte received a $10.0 million fee from Genzyme. Although Veracyte is required to pay Genzyme a co-promotion fee of 40% of cash received until March 2014, and 32% thereafter, We believe that the rate could potentially decrease further over time, leading to lower operational cost and better profitability.

Product Pipeline with Multiple High-Value Solutions

Currently, Veracyte has 3 additional products under development, including Afirma Malignant GEC (Target US launch date Q2:14), Idiopathic Pulmonary Fibrosis (Target US launch date 2016), and Lung Cancer Diagnostic test (Early discovery phase). We believe the substantial expertise accumulated through the clinical development and commercialization of the Afirma GEC test will enable Veracyte to successfully develop additional products as a source of future growth.

Investment Risks

Timing of Obtaining Additional Payer Coverage or Entering Into Payer Contracts Hard To Predict

Despite significant progress made with several national and regional payers, visibility on timing of additional payer coverage decisions is low. The timing of these decisions could significantly impact the rate of Afirma GEC adoption, as well as Veracyte's ability to collect payment for tests performed under a non-covered private payer.

Timing of Entering into Payer Contracts Hard To Predict

In addition, a majority of Veracyte's revenue is being recognized on a cash basis (except for tests covered by Medicare, which is ~22% of total volume), since Veracyte has not entered into contracts with any commercial payers in the US, despite positive coverage decisions in place for the Afirma GEC test with many payers. The timing of entering into payer contracts and conversion of revenue recognition from cash-basis to accrual-basis is uncertain, and this could potentially impact the pace of revenue growth.

Fluctuation of Quarterly Results Due To Significant Portion of Revenue Not Recognized on an Accrual Basis

Despite significant growth in Cytopathology and GEC volume over the past 2.5 years, quarterly revenue results could fluctuate significantly, since a majority of the revenue is still recognized on a cash basis. Visibility on the timing of cash-to-accrual conversion is low, as it is dependent on when Veracyte enters into price-negotiated contracts with private payers. However, we do note that when such events take place, revenue could fluctuate higher due to the accounting policy change.

Highly Concentrated Product Portfolio

Currently, Veracyte has only 1 product, the Afirma GEC test, on the market. Despite significant KOL endorsement and positive payer coverage decisions gained over the past several years, there remains significant risk to Veracyte's longer term business outlook as competition and disruptive technology could emerge, and the thyroid cancer diagnostics market could potentially become saturated as Veracyte's Afirma GEC test becomes widely adopted.

Potential Risk of New FDA Regulation on Laboratory Developed Tests (LDTs)

As a LDT test, Veracyte is under the regulation of CLIA, similar to many other LDTs currently sold in the market, such as GHDX's Oncotype Dx and MYGN's BRACAnalysis. As more LDTs gain significant market adoption and commercial traction, the potential risk of new FDA regulation on LDT could increase. While the FDA initially proposed a draft LDT regulation guideline in 2011, the plan to regulate LDTs has been delayed without a clearly-defined timeline due to widespread concerns regarding potential over-regulation and its impact to healthcare innovation.

Company and Product Description

Company

Veracyte is a molecular cytology-focused diagnostic company targeting diseases that often require invasive procedures for an accurate diagnosis. By deriving clinically actionable genomic information from cytology samples collected in an outpatient setting, Veracyte aims to improve the accuracy of diagnostics at an earlier stage of patient care, reducing the number of unnecessary and invasive procedures and the related costs.

Business Strategy

Veracyte intends to become the market leader in molecular cytology-based diagnostic tests by resolving diagnostic ambiguity pre-operatively, allowing patients to avoid unnecessary and often costly medical procedures, while also minimizing the potential side effects associated with these procedures. Veracyte plans to pursue the following strategies to accomplish these objectives:

- Accelerate the growth of Afirma by expanding Veracyte's base of prescribing physicians and achieving broader reimbursement.
- Market Veracyte's novel molecular diagnostic tests as the centerpiece of a comprehensive patient-care solution.
- Drive cost and capital efficiencies by offering turnkey solutions to physicians in specialty markets.
- Broaden the addressable market in endocrinology by leveraging Veracyte's thyroid expertise to introduce new products.
- Capitalize on the company's demonstrated core competencies to expand molecular cytology to additional diseases.

Products

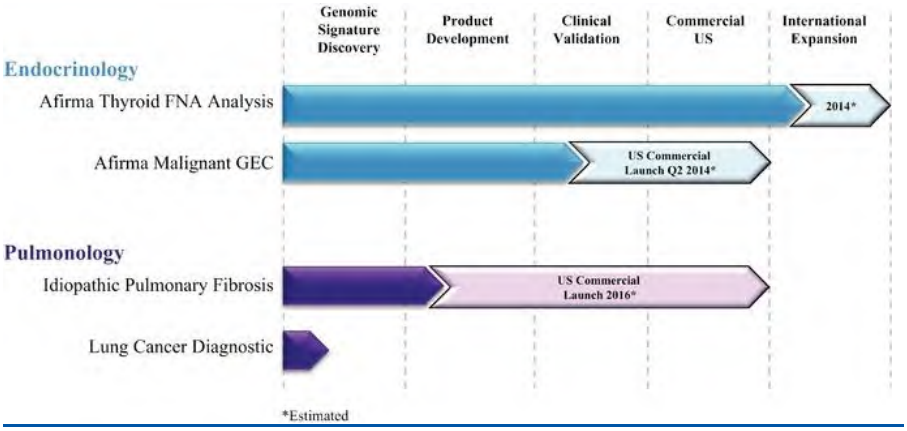
Veracyte's first commercial solution, the Afirma Thyroid FNA Analysis, was launched in early 2011 and includes the Gene Expression Classifier (GEC), a proprietary 142-gene signature that is able to preoperatively determine whether thyroid nodules previously classified by cytopathology as indeterminate can be reclassified as benign, therefore reducing the number of unnecessary surgeries. Multiple studies demonstrating the clinical validity, clinical utility and cost effectiveness of the GEC have been published in peer-reviewed journals, and these studies have led to recommendation by the National Comprehensive Cancer Network (NCCN) and positive coverage decisions by Medicare, United, Aetna, and Humana covering >100MM lives. Further details on clinical evidence and guideline/coverage decisions will be discussed below.

Product Pipeline

In addition to the Afirma GEC test that is currently promoted in the market, Veracyte has 3 additional products under development:

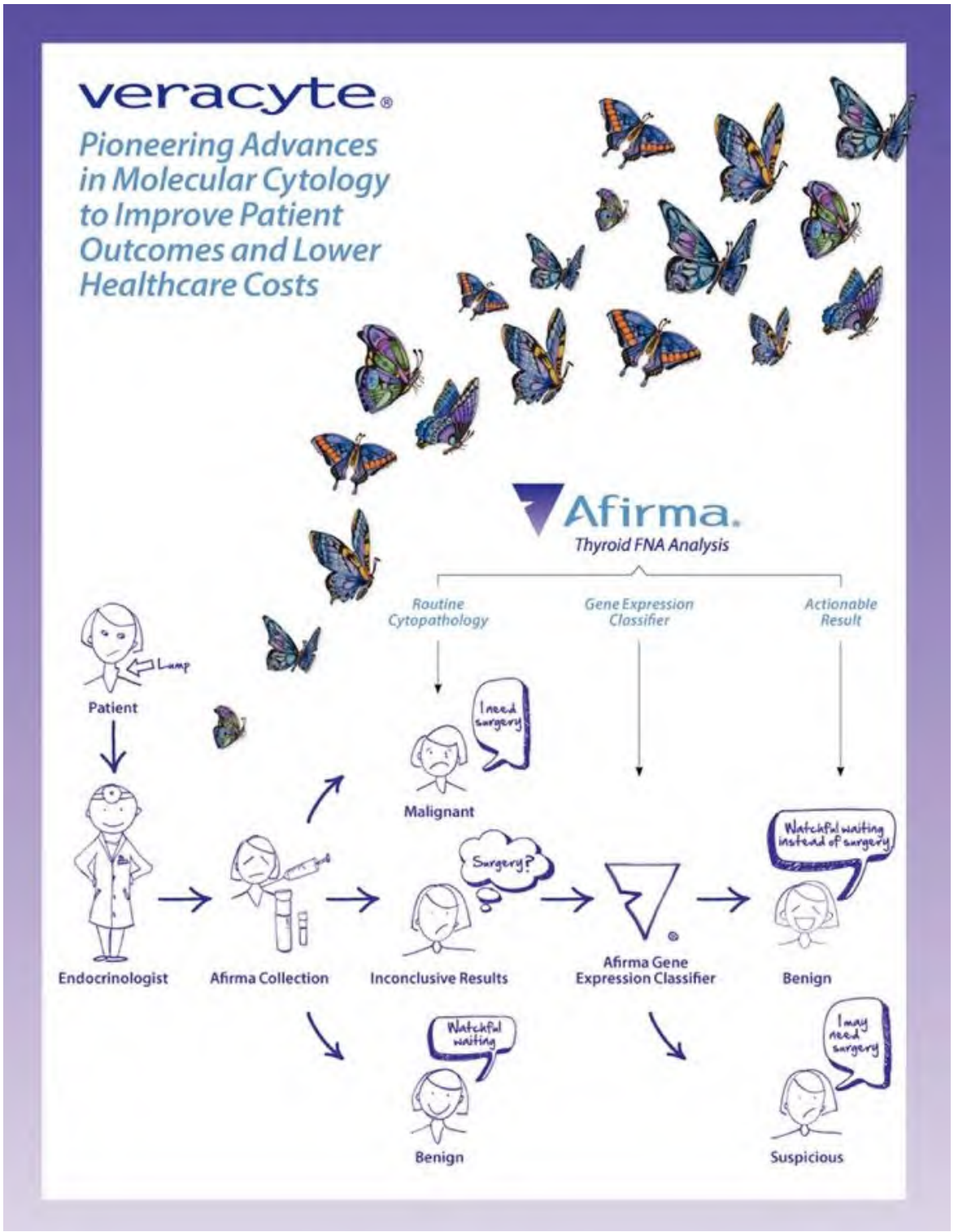
- Afirma Malignant GEC: under clinical validation with target US launch date of Q2:14.
- Idiopathic Pulmonary Fibrosis. Genomic signature discovery completed. US commercial launch targeted in 2016.
- Lung Cancer Diagnostic. In genomic signature discovery phase.

Exhibit 1. Veracyte Product Pipeline



Source: Company reports and Cowen and Company

Exhibit 2. VCYT – Afirma Product Flyer



Source: Company Reports and Cowen and Company.

Clinical Unmet Need and Addressable Market Potential

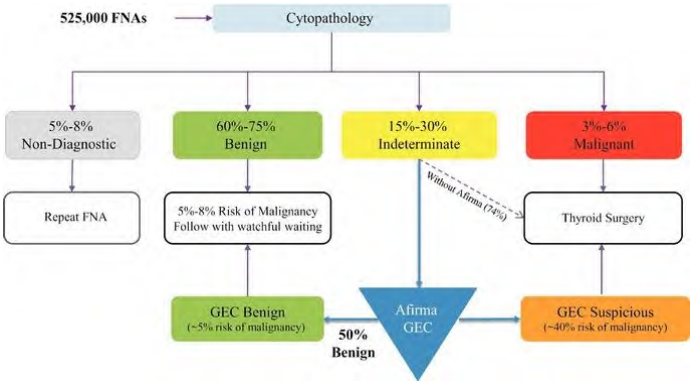
Afirma was developed to address a significant unmet need in thyroid nodule diagnosis. Thyroid nodules, while usually benign, are typically diagnosed with a cytopathology procedure called fine need aspiration (FNA) by endocrinologists. A FNA result can be benign (60-75%), malignant (3-6%), no-dx (5-8%, not sufficient cells obtained), or indeterminate (15-30%). An indeterminate result means that the patient cannot be diagnosed as definitively benign or malignant by cytopathology alone; however, due to the risk of malignancy in this category (20-30% according to American Thyroid Association), it is usually recommended that these patients undergo surgery for an accurate pathology diagnosis. However, ultimately 70-80% of patients with indeterminate FNA results who undergo surgery turn out to be benign for cancer.

To elaborate further on the significance of unmet need for patients with indeterminate cytology results of thyroid nodules, the cost of a typical thyroid surgery is estimated to be ~$15,000 in the US, and there is a risk of complications due to surgery, leaving a patient in need of hormone replacement therapy for life. According to a health economics study published in the Journal of Endocrinology and Metabolism in 2011, there could be over $500 million in direct cost savings to the healthcare system over five years if Afirma was fully adopted, by reducing the number of unnecessary surgeries.

According to company-cited data, approximately 525,000 thyroid FNAs were performed in the United States in 2011, growing at 5-10% per year. Based on company's estimated reflex rate of 17% (15-30% based on public literature review), this translates into a potential market of 100,000 GEC procedures per year, or an estimated market potential of $500MM based on price assumptions of $3,900 per GEC and $190 per FNA.

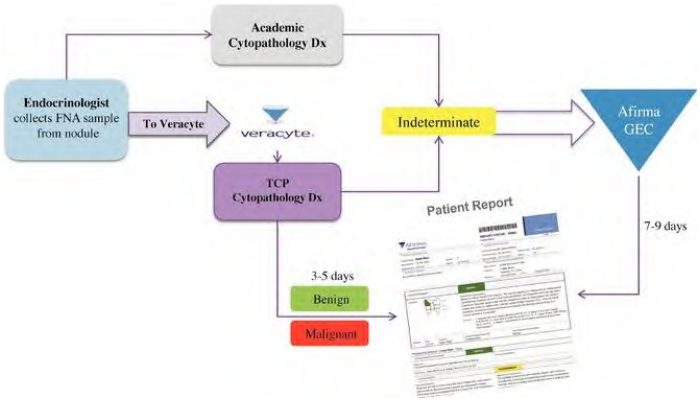
Since the initial commercial launched of Afirma in January 2011, Veracyte has processed over 50,000 FNAs and >10,000 GECs. Based on the amount of samples processed in Q2:13, the company is currently on an annualized run rate of 50,000 FNA and 10,000 GEC/year, or approximately 10% of total addressable market in the US. Revenue has increased from $2.6 million in 2011 to $17.1 million for the trailing twelve months ending June 30, 2013.

Exhibit 3. Afirma Impact On Thyroid Nodule Diagnosis



Source: Company reports and Cowen and Company

Exhibit 4. Afirma Workflow



Source: Company reports and Cowen and Company

Existing Clinical Data and Publications

Veracyte has generated a substantial amount of data supporting the commercialization of Afirma GEC. Key studies published include:

- **A clinical validity study published in The New England Journal of Medicine in 2012**: The study demonstrated that the GEC reduces the number of unnecessary diagnostic surgeries by analyzing the genomic signature of FNA samples judged to be indeterminate by cytopathology and reclassifies about 50% of those nodules to a benign diagnosis.
- **A clinical utility study published in Thyroid in 2012**: The study covered 368 patients with both a cytopathology indeterminate result and a GEC benign result from 51 different endocrinologists. The study found a 90% reduction in surgeries for this group of patients (7.6% vs. 74% historically)
- **Additional cost effectiveness studies:** According to a health economics study published in the Journal of Endocrinology and Metabolism in 2011, there could be over $500 million in direct cost savings to the healthcare system over five years if Afirma was fully adopted

As a result of these studies, according to Veracyte, the GEC is currently the only diagnostic test that meets the criteria of the National Comprehensive Cancer Network, or NCCN, for safely monitoring patients with indeterminate cytopathology results in lieu of surgery.

Exhibit 5. Select Afirma Clinical Studies Published To Date

Type of Study	Study	Publication / Presentation	Publication Time	Main Findings
Clinical Validity	Preoperative Diagnosis of Benign Thyroid Nodules with Indeterminate Cytology	*The New England Journal of Medicine*	August 2012	▪ Pivotal clinical validation study (prospective, multicenter, double-blind) ▪ A GEC benign result is comparable in accuracy to a benign cytology
Clinical Validity	Molecular Classification of Thyroid Nodules Using High-Dimensionality Genomic Data	*Journal of Clinical Endocrinology and Metabolism*	December 2010	▪ First prospective, multicenter, double-blind validation study ▪ Even in the presence of degraded RNA, bloody samples, or malignant samples diluted up to 80% with aspirate material from benign nodules, the GEC correctly recognizes benign nodules and does not miss malignancy in the majority of FNA samples
Clinical Utility	The Impact of Benign Gene Expression Classifier Test Results on the Endocrinologist-Patient Decision to Operate on Patients with Thyroid Nodules with Indeterminate Fine-Needle Aspiration Cytopathology	*Thyroid*	October 2012	▪ Large multicenter study of endocrinologists' practices ▪ Approximately one surgery was avoided for every two GEC tests run on thyroid FNAs with indeterminate cytology
Clinical Utility	Clinical Practice Impact of a Novel mRNA–based Gene Expression Classifier in Thyroid Nodules with Indeterminate Fine Needle Aspiration Cytopathology	*American Thyroid Association* (*Abstract Poster Presentation*)	October 2011	▪ Assessed clinical utility by surveying physicians' treatment decisions ▪ Applying the survey results to 540 patients with indeterminate cytopathology, physicians recommended watchful waiting and sonographic follow up in lieu of surgery in 89% (234 of 263) of patients with a benign GEC result
Health Economics	Cost-Effectiveness of a Novel Molecular Test for Cytologically Indeterminate Thyroid Nodules ©*The Endocrine Society*	*Journal of Clinical Endocrinology and Metabolism*	November 2011	▪ Use of Afirma can potentially avoid almost three-fourths of currently performed surgeries in patients with benign nodules
Analytical Validity	Analytical Performance Verification of a Molecular Diagnostic for Cytology-Indeterminate Thyroid Nodules	*Journal of Clinical Endocrinology and Metabolism*	October 2012	▪ Analytical sensitivity, analytical specificity, robustness, and quality control of the GEC were successfully verified, indicating its suitability for clinical use
Other Studies	A Large Multicenter Correlation Study of Thyroid Nodule Cytopathology and Histopathology	*Thyroid*	March 2011	▪ Prospective multicenter study and meta-review of 11 recently published U.S. based pathology series ▪ Two-thirds of cytologically indeterminate nodules were found to be benign post-operatively ▪ Operated cytology benign nodules were found to have an 11% risk of malignancy in the prospective study and 6% risk of malignancy in the meta-review (range 2%-18%)

Source: Company Reports, Thomson One, and Cowen and Company.

Exhibit 6. Select Afirma Review Articles Published To Date

Title of Review Articles	Publication	Publication Time	Summary
Use of the Afirma Gene Expression Classifier for Preoperative Identification of Benign Thyroid Nodules with Indeterminate Fine Needle Aspiration Cytopathology	*PLoS Currents: Evidence on Genomic Tests*	February 2013	▪ Studies reviewed regarding clinical validity, analytic validity, and clinical utility support recommendation for offering patients the alternative of using the GEC in lieu of thyroid resection in the specific case of thyroid FNAs with indeterminate cytopathology
Minimizing Unnecessary Surgery for Thyroid Nodules	*The New England Journal of Medicine*	August 2012	▪ Clinical algorithm recommending monitoring in lieu of diagnostic surgery in patients with indeterminate FNA cytopathology results
Diagnostic Use of Molecular Markers in the Evaluation of Thyroid Nodules	*Endocrine Practice*	September / October 2012	▪ Genomic tests exhibit variable performance characteristics and require clinical validation in prospective, multicenter, blinded studies before widespread adoption
Molecular Biomarkers in Thyroid FNA Samples	*Journal of Clinical Endocrinology & Metabolism*	December 2012	▪ Prospective, large scale validation of Afirma provides the broadest available data among any of the thyroid nodule diagnostic tests ▪ Clinical implementation of genomic tests requires robust demonstration of analytic validity, as reported for Afirma in Walsh et al ▪ As many as 30-40% of thyroid carcinomas do not display known somatic oncogene mutations and may harbor novel genetic alterations ▪ The mutation assessment test may serve best as a diagnostic algorithm to identify suspected malignancy with an NPV of up to 95%, Afirma may serve to exclude malignancy
Diagnosis and Management of Differentiated Thyroid Cancer using Molecular Biology	*Laryngoscope*	April 2013	▪ Molecular markers can be classified broadly into those with high positive predictive value (BRAF, RET/PTC, PAX8/PPARc) and those with potentially high negative predictive value (gene expression microarrays) ▪ Gene expression microarrays may eliminate the need for unnecessary diagnostic lobectomy in 60% to 90% of cases
Molecular markers in the diagnosis of thyroid nodules	*Brazilian Archives of Endocrinology and Metabolism*	March 2013	▪ The Afirma GEC raises specificity on indeterminate cytology thyroid nodules from 0% to 52%, effectively reducing the need to operate by one-half
Progress in Molecular-based Management of Differentiated Thyroid Cancer	*The Lancet*	March 2013	▪ The GEC performed best on the atypia of undetermined significance (AUS) or follicular lesion of undetermined significance (FLUS) and follicular neoplasm or suspicious for follicular neoplasm lesions (SFN/SHN) (sensitivity 90%, NPV 94-95%), whereas the NPV was lower for the suspicious for malignancy lesions (85%), which have a higher prevalence of malignancy

Source: Company Reports, Thomson One, and Cowen and Company.

Guideline Inclusion and Coverage Decisions Key to Rapid Volume Growth

Since the initial launch of the Afirma GEC test in January 2011, Veracyte has demonstrated exceptional capabilities in obtaining professional society endorsement in the form of guideline recommendations, as well as in driving positive payer coverage decision.

In January 2013, Veracyte obtained positive guideline recommendations from the National Comprehensive Cancer Network (NCCN). In the January 2013 version of NCCN's thyroid cancer guidelines, NCCN guidelines recommend that physicians consider molecular testing for those patients with cytopathology indeterminate thyroid nodules who have a low risk of cancer. The 2013 NCCN Guidelines further suggest that if a molecular diagnostic test predicts a risk of malignancy comparable to the risk of malignancy of a benign cytopathology result, observation in lieu of a diagnostic surgery is recommended. Based on published evidence, Veracyte believes that the GEC meets these criteria.

In addition to NCCN, Veracyte plans to obtain positive recommendations from additional professional societies including American Thyroid Association (ATA) and the American Association of Clinical Endocrinologists (AACE), and is continuing payer negotiations with remaining key national and regional payers.

For payer coverage, Veracyte has obtained positive coverage decisions from Medicare (January 2012), United Healthcare (March 2012), Aetna (June 2013), and Humana (July 2013), with a total covered lives of >100MM.

As a result of positive guideline status and payer coverage recommendations, Veracyte has been able to grow its FNA volume from ~4,000 in Q1:12 to ~12,000 in Q3:13, and Afirma GEC volume from ~800 to 2,400 during the same period.

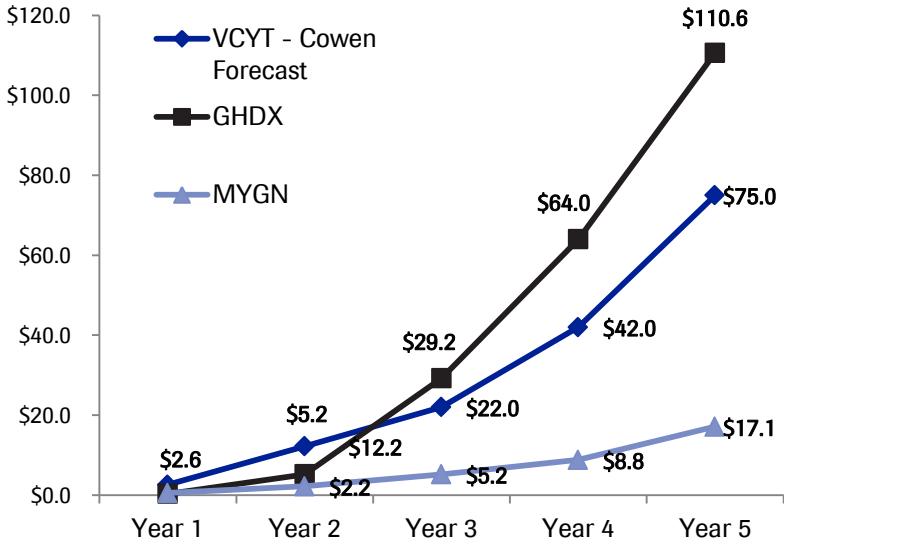
Payer Contracts with Fixed Rates Could Be Future Catalysts for Growth

While Medicare has agreed to pay Veracyte at pre-determined rates of $150 for each Cytopathology test and $3,250 for each GEC test, private payers can initially pay a lower amount than the Medicare average price even when Veracyte has a positive coverage decision policy with that particular payer. The lower reimbursement could be due to the out of network status for Veracyte's Cytopathology test partner TCP (discussed below), as well as the lack of pre-negotiated contract which allows a test to be reimbursed at a pre-determined price most of the time. As a result, Veracyte has to file appeals frequently with those payers each time a test is under paid or denied.

As more claims and appeals are filed with various private payers, Veracyte anticipates entering into contracts with these payers with a negotiated test price. However, entering contract will ensure the company to get paid with most, if not all of the test volume performed within a particular payer network, therefore allowing Veracyte to accrue the volume performed under that particular payer in each given period, and also enhances revenue predictability going forward.

Veracyte expects to enter into such contracts with at least 1-2 private payers over the course of 2014. When that happens, we would expect to see a growth acceleration in revenue due to the shift of accounting from cash-based to accrual-based (therefore pulling some revenue forward previously not recognized due to delays related to cash payments). Due to the uncertain timing of such contracts, we are currently not assuming any such events to occur during our revenue forecast period.

Exhibit 7. Comparison of Revenue Growth with GHDX OncotypeDx and MYGN BRACAnalysis During First 5 Years Of Respective Product Launch ($ - MM)



Source: Company reports and Cowen and Company

Compared to other similar multi-gene test panels, such as Genomic Health's OncotypeDx test, we believe Veracyte is tracking at least in line, if not favorably in national coverage expansion during the first 2-3 years of product launch. Given the body of clinical evidence and the endorsement by professional society NCCN, we believe the Afirma GEC coverage expansion and revenue could continue to grow on a similar trajectory as Genomic Health's OncotypeDx.

Strategic Partnerships

Unique TCP Partnership Model Drives Volume Growth While Preventing Competition

Veracyte has been successful in growing FNA volume received from physicians nationwide, a key prerequisite for Afirma GEC volume growth. While Veracyte itself does not perform cytopathology diagnosis of FNA samples, it contracts with an exclusive partner called TCP, which employs dozens of pathologists who are specialized in performing cytopathology reads. Any indeterminate results are then reflexed to Veracyte for GEC testing. While Veracyte estimates that total indeterminate rate varies between 15-30%, TCP has been able to generate a consistent rate of around 17%. As a result of this unique business model, Veracyte is able to effectively control the upstream sample volume of the GEC test, essentially preventing any potential competitors from entering the market with a similar test.

Genzyme Partnership Helps Drive Initial Adoption

Veracyte markets and sells its solution with a sales force consisting of its own sales professionals and members of the Genzyme endocrinology sales team. In January 2012, Veracyte entered into a co-promotion agreement with Genzyme for the co-exclusive right to promote and market Afirma in the United States and in 40 countries pursuant to which Veracyte received a $10.0 million fee from Genzyme. Under the agreement, Veracyte is required to pay Genzyme a co-promotion fee that is equal to a percentage of its cash receipts from Afirma (40% of cash receipts until March 2014, 32% thereafter).

Considering the significant revenue and volume growth, we expect the co-promotion fee could be negotiated down in 2014 or 2015.

In addition, Veracyte's agreement with Genzyme also allows the company to leverage Genzyme's commercial capabilities internationally. Although Veracyte is the early stages of commercializing Afirma internationally, the company intends to selectively target attractive markets for entry beginning in 2014.

Financial Projections

Revenue Forecast

Veracyte revenue increased from $2.6 million in 2011 to $11.6 million in 2012. Its revenue increased from $3.9 million for the six months ended June 30, 2012 to $9.5 million for six months ended June 30, 2013. Currently, we are forecasting revenue of $22MM for FY13, $40MM for FY14, and $70MM for FY15, based a growth rate of 80-90% over the next 3 years.

Our revenue forecast includes assumptions for (1) FNA and GEC volume, (2) FNA and GEC pricing, and (3) conversion of revenue recognition accounting method from cash to accrual.

Key Assumptions

- **FNA and GEC volume:** We are forecasting volume for FNA and GEC to grow at a 5 year CAGR of ~35-40%.
- **FNA and GEC pricing:** Our forecast assumes stable pricing of ~$150/FNA and ~$3,250/GEC. For non-accrued GEC tests, we assume a slightly higher price close to $4,000, but also assume that not all of the tests will be reimbursed due to the lack of payer contracts in place.
- **Revenue recognition:** We are currently assuming only Medicare (22% of total volume) volumes will be accrued within our forecast period. We do assume the pace of cash revenue recognitions improves over time.

Visibility & Sanity Check

- **"Top Down" Sanity Check:** Our forecast essentially assumes that VCYT's share of the US addressable market improves from ~8-9% in 2013 to ~12-13% in 2015, with overall market growth approximating 7-8% per year.
- **"Error Bars":** We believe the company's existing payer coverage, plans to obtain additional coverage and payer contracts, broad professional society recommendations, and conservatism in cash-to-accrual conversion timing assumptions likely render the bias to the upside relative to our current 2013 forecast. Along the same lines, we believe there is about 15-20% downside risk and 25-30% upside risk to our 2014 forecast. The bias seems to be to the upside.

Income Statement

We are forecasting that gross margins improve to ~40% in 2013, ~50% in 2014, and exceed 60% in 2015 due to better economics of scale and higher percentage of revenue collection for tests delivered. We assume that R&D spend to normalize to approximately low-teens as a percentage of sales, and that SG&A as a percentage of sales to decrease to <40% driven by higher sales force productivity and a lower Genzyme co-promotion fee. We assume that operating break even occurs at an annualized revenue run rate of approximately $80-90MM.

Valuation

Relative to a comparable company group that includes Cellular Dynamics, Fluidigm, Foundation Medicine, Genomic Health, and Myriad Genetics, Veracyte trades at a ~50% discount on a 2014E EV/Sales basis. Factoring in the discount valuation relative to these companies but offset by strong revenue growth potential, we believe that the risk/reward is attractive at the current valuation, and shares are well positioned to outperform the market by at least 15-20% over the next 12-18 months.

Exhibit 8. Veracyte - Comparable Company Analysis ($MM, except share data)

				52 Week					EV/Sales			EV/EBITDA			Price/Earnings		
Company Name	Ticker	Rating	Price	Low	High	Div Yld	MV (MM)	EV (MM)	2013E	2014E	2015E	2013E	2014E	2015E	2013E	2014E	2015E
Veracyte Inc	**VCYT**	**1**	**$11.36**	**$10.88**	**$14.12**	**0.0%**	**$260**	**$200**	**9.1x**	**5.0x**	**2.9x**	**NM**	**NM**	**70.1x**	**NM**	**NM**	**NM**
Cellular Dynamics International Inc	ICEL	1	$14.72	$9.50	$24.11	0.0%	$232	$330	27.4x	11.5x	6.2x	NM	NM	NM	NM	NM	NM
Fluidigm Corp	FLDM	1	$31.84	$13.43	$32.90	0.0%	$816	$752	10.8x	9.0x	7.4x	NM	NM	NM	NM	NM	NM
Foundation Medicine Inc	FMI	NR	$25.75	$20.00	$41.50	0.0%	$725	$790	36.3x	15.8x	12.0x	NM	NM	NM	27.2x	13.7x	12.4x
Genomic Health Inc	GHDX	2	$35.02	$26.25	$38.99	0.0%	$1,076	$969	3.7x	3.3x	2.9x	NM	NM	47.2x	NM	NM	74.5x
Myriad Genetics Inc	MYGN	2	$29.08	$22.20	$38.27	0.0%	$2,174	$1,658	2.8x	2.3x	2.3x	7.1x	6.1x	6.3x	17.4x	14.3x	14.3x

	2013E	2014E	2015E	2013E	2014E	2015E	2013E	2014E	2015E
Median	**10.8x**	**9.0x**	**6.2x**	**7.1x**	**6.1x**	**26.7x**	**22.3x**	**14.0x**	**14.3x**
Mean	16.2x	8.4x	6.2x	7.1x	6.1x	26.7x	22.3x	14.0x	33.7x
High	36.3x	15.8x	12.0x	7.1x	6.1x	47.2x	27.2x	14.3x	74.5x
Low	2.8x	2.3x	2.3x	7.1x	6.1x	6.3x	17.4x	13.7x	12.4x
VCYT	**9.1x**	**5.0x**	**2.9x**	**NM**	**NM**	**70.1x**	**NM**	**NM**	**NM**
vs. median	*(16%)*	*(44%)*	*(54%)*	*NM*	*NM*	*NM*	*NM*	*NM*	*NM*
vs. mean	*(44%)*	*(40%)*	*(54%)*	*NM*	*NM*	*NM*	*NM*	*NM*	*NM*

Source: Thomson One Analytics and Cowen and Company. Priced 11/25/13.
Note: 1=Outperform, 2=Market Perform, 3=Underperform, NR=Not Rated

Management

Veracyte has a seasoned management team, including Bonnie Anderson, CEO, formerly a Vice President at Beckman Coulter, a major global diagnostic company, Shelly Guyer, CFO, with 17 years of experience in healthcare investment banking from JP Morgan, Christopher Hall, CCO, formerly the Chief Business Officer of Celera Corporation, and Giulia Kennedy, CSO, formerly a Senior Director at Affymetrix (microarray).

Bonnie H. Anderson – President, CEO

Bonnie H. Anderson has served as Veracyte's Chief Executive Officer and as a member of the board of directors since February 2008. In August 2013, she was appointed as Veracyte's President. Prior to joining Veracyte, Ms. Anderson was an independent strategic consultant from April 2006 to January 2008, including as a strategic consultant for Veracyte from July 2007 to January 2008. Ms. Anderson was a Vice President at Beckman Coulter, Inc., a manufacturer of biomedical testing instrument systems, tests and supplies, from September 2000 to March 2006. She currently serves as a member of the Board of Trustees of the Keck Graduate Institute of Applied Life Sciences. Ms. Anderson holds a B.S. in Medical Technology from Indiana University of Pennsylvania.

Shelly D. Guyer - CFO

Shelly D. Guyer has served as Veracyte's Chief Financial Officer and Secretary since April 2013. Prior to joining Veracyte, Ms. Guyer served as Chief Financial Officer and Executive Vice President of Finance and Administration of iRhythm Technologies, Inc., a medical device and service company, from April 2008 to December 2012. From March 2006 to August 2007, Ms. Guyer served as Vice President of Business Development and Investor Relations of Nuvelo Inc., a biopharmaceutical company. Prior to joining Nuvelo, Ms. Guyer worked at J.P. Morgan Securities and its predecessor companies for over 17 years, serving in a variety of roles including in healthcare investment banking. Ms. Guyer holds an A.B. in Politics from Princeton University and an M.B.A. from the Haas School of Business at the University of California, Berkeley.

Christopher M. Hall - CCO

Christopher M. Hall has served as Veracyte's Chief Commercial Officer since March 2010. Prior to joining Veracyte, Mr. Hall served as Chief Business Officer of Celera Corporation, a diagnostics company focusing on personalized disease management, from October 2008 to February 2010. From August 2002 to February 2010, Mr. Hall served in various executive and senior positions at Berkeley HeartLab, Inc., a cardiovascular disease management company that was acquired by Celera in October 2007, including Chief Clinical Operations Officer and Vice President of Marketing. Mr. Hall holds a B.A. in Economics and Political Science from DePauw University and an M.B.A. from Harvard University.

Giulia C. Kennedy, Ph.D. - CSO

Giulia C. Kennedy, Ph.D., has served as Veracyte's Chief Scientific Officer since September 2008 and served as Veracyte's Senior Vice President of Research and Development from April 2008 to September 2008. Prior to joining Veracyte, Dr. Kennedy was a Senior Director at Affymetrix, Inc., a microarray technology company, where she served from January 2000 to March 2008. Prior to joining Affymetrix, Dr. Kennedy served in scientific roles at Chiron Corporation and Millennium Pharmaceuticals, Inc., both of which were biotechnology companies. Dr. Kennedy holds a B.S. in Applied Science from Youngstown State University and a Ph.D. in Biochemistry from Case Western Reserve University School of Medicine and completed postdoctoral training in the Biochemistry Department and Hormone Research Institute at the University of California, San Francisco.

Richard B. Lanman, M.D. - CMO

Richard B. Lanman, M.D., has served as Veracyte's Chief Medical Officer since July 2008. Prior to joining Veracyte, Dr. Lanman served as Executive Vice President and Chief Medical Officer of diaDexus Inc., a medical diagnostics company, from April 2005 to July 2008. From November 2000 until March 2005, Dr. Lanman served as Chief Medical Officer and Executive Vice President, Business Development, of Atherotech, Inc., a laboratory test and medical device company. Prior to Atherotech, Dr. Lanman was Founder and Chief Executive Officer of Adesso Healthcare Technology Services, Inc., an application service provider profiling quality and utilization for specialist physician networks. Earlier in his career, he was in physician practice management roles as Senior Vice President and Medical Director for San Jose Medical Group, and as a Chief of Quality at The Permanente Medical Group. Dr. Lanman holds a B.S. in Chemistry from Stanford University and an M.D. from Northwestern University, Feinberg School of Medicine, and completed internship and residency at the University of California, San Francisco.

Brian G. Atwood – Chairman of Board

Brian G. Atwood has served as Chairman of Veracyte's board of directors since February 2008 and as a director since December 2006. Since 1999, Mr. Atwood has served as a Managing Director of Versant Ventures, a healthcare-focused venture capital firm that he co-founded. Prior to founding Versant Ventures, Mr. Atwood served as a general partner of Brentwood Associates, a venture capital firm. He was also founder, President and Chief Executive Officer of Glycomed, Inc., a biopharmaceutical company. Mr. Atwood is currently a director of Cadence Pharmaceuticals, Inc., Clovis Oncology, Inc., and Five Prime Therapeutics, Inc. and a number of privately held companies. Mr. Atwood served as a director of Helicos BioSciences Corporation from 2003 until September 2011, Pharmion Corporation from January 2000 until its acquisition in March 2008, and Trius Therapeutics, Inc. from February 2007 until its acquisition in September 2013. Mr. Atwood holds a B.S. in Biological Sciences from the University of California, Irvine, an M.S. in Ecology from the University of California, Davis and an M.B.A. from Harvard University.

Exhibit 9. VCYT – Revenue Model

(MM, except EPS)	Q1:12	Q2:12	Q3:12	Q4:12	Q1:13	Q2:13	Q3:13	Q4:13E	Q1:14E	Q2:14E	Q3:14E	Q4:14E	2011	2012	2013E	2014E	2015E	2016E	2017E	5-yr CAGR
TOTAL REVENUE	**$1.5**	**$2.5**	**$3.2**	**$4.5**	**$4.4**	**$5.1**	**$5.6**	**$6.9**	**$7.5**	**$8.5**	**$9.9**	**$14.2**	**$2.6**	**$11.6**	**$22.0**	**$40.0**	**$70.0**	**$97.5**	**$120.0**	**59.5%**
% Growth - Y/Y	913%	1,140%	361%	179%	199%	104%	74%	56%	71%	67%	77%	104%		339.7%	89.0%	82.2%	74.9%	39.3%	23.2%	
% of sales from FNA	25%	25%	25%	25%	30%	30%	28%	25%	26%	25%	26%	21%	27.0%	25.0%	28.1%	24.1%	18.5%	16.9%	17.1%	
% of sales from GEC	75%	75%	75%	75%	70%	70%	72%	75%	74%	75%	74%	79%	73.0%	75.0%	71.9%	75.9%	81.5%	83.1%	82.9%	
Medicare Revenue	$0.6	$1.0	$1.0	$1.5	$1.6	$2.0	$1.9	$2.1	$2.1	$2.3	$2.5	$2.8	--	$4.2	$7.6	$9.7	$12.6	$15.7	$19.1	
% from Medicare	43%	39%	32%	34%	37%	39%	34%	30%	28%	27%	26%	20%	--	35.7%	34.6%	24.3%	18.1%	16.1%	15.9%	
US CYTOPATHOLOGY REVENUE (FNAs)	**$0.4**	**$0.6**	**$0.8**	**$1.1**	**$1.3**	**$1.5**	**$1.6**	**$1.8**	**$2.0**	**$2.1**	**$2.6**	**$3.0**	**$0.7**	**$2.9**	**$6.2**	**$9.6**	**$13.0**	**$16.4**	**$20.6**	**47.9%**
% Growth	745%	933%	284%	179%	259%	145%	94%	58%	49%	38%	64%	70%		307.5%	112.2%	56.2%	34.6%	26.8%	25.1%	
% of Total Revenue	25%	25%	25%	25%	30%	30%	28%	25%	26%	25%	26%	21%	27.0%	25.0%	28.1%	24.1%	18.5%	16.9%	17.1%	
Volume - Total FNA	3,925	5,610	7,052	9,303	10,757	12,424	12,417	13,955	13,877	14,909	16,763	18,699	6,500	25,890	49,553	64,247	83,522	104,402	128,414	37.8%
Growth	461%	523%	292%	200%	174%	121%	76%	50%	29%	20%	35%	34%		298.3%	91.4%	29.7%	30.0%	25.0%	23.0%	
GEC REVENUE (AFIRMA)	**$1.1**	**$1.9**	**$2.4**	**$3.3**	**$3.1**	**$3.5**	**$4.0**	**$5.2**	**$5.5**	**$6.4**	**$7.3**	**$11.2**	**$1.9**	**$8.7**	**$15.8**	**$30.4**	**$57.0**	**$81.0**	**$99.5**	**62.7%**
% Growth	985.8%	1228.3%	393.5%	178.6%	178.9%	90.7%	66.6%	54.5%	79.7%	79.5%	82.4%	116.1%		351.6%	81.3%	92.3%	87.6%	42.1%	22.8%	
% of Total Revenue	75.0%	75.0%	75.0%	75.0%	70.0%	70.0%	72.0%	74.5%	73.7%	75.2%	74.1%	78.8%	73.0%	75.0%	71.9%	75.9%	81.5%	83.1%	82.9%	
Volume - Total GEC	784	1,197	1,267	1,879	1,965	2,436	2,308	2,568	2,553	2,743	3,084	3,441	1,500	5,127	9,276	11,822	15,368	19,210	23,628	35.7%
Growth	214%	299%	217%	242%	151%	104%	82%	37%	30%	13%	34%	34%		241.8%	80.9%	27.4%	30.0%	25.0%	23.0%	
% of FNAs	20%	21%	18%	20%	18%	20%	20%	20%	20%	20%	20%	20%	23%	20%	19%	18%	20%	20%	20%	

Source: Company Reports, Thomson One, and Cowen and Company.

Exhibit 10. VCYT – Income Statement

(MM, except EPS)	Q1:12	Q2:12	Q3:12	Q4:12	Q1:13	Q2:13	Q3:13	Q4:13E	Q1:14E	Q2:14E	Q3:14E	Q4:14E	2012	2013E	2014E	2015E	2016E	2017E	5-yr CAGR	Comments
Net sales	**$1.5**	**$2.5**	**$3.2**	**$4.5**	**$4.4**	**$5.1**	**$5.6**	**$6.9**	**$7.5**	**$8.5**	**$9.9**	**$14.2**	**$11.6**	**$22.0**	**$40.0**	**$70.0**	**$97.5**	**$120.0**	**59.5%**	**FY13:** $21-23MM
Growth	913.4%	1,139.8%	360.6%	178.6%	198.8%	104.4%	73.5%	55.5%	70.6%	67.1%	77.2%	104.4%	339.7%	89.0%	82.2%	74.9%	39.3%	23.2%		
Cost of sales	$1.3	$1.7	$2.0	$2.6	$2.8	$3.2	$3.1	$3.8	$3.8	$4.2	$4.9	$6.8	$7.6	$12.9	$19.6	$24.5	$30.2	$33.6		
% of sales	85.4%	70.4%	61.6%	58.3%	63.3%	63.8%	56.0%	55.0%	51.0%	49.0%	49.0%	48.0%	65.2%	58.9%	49.0%	35.0%	31.0%	28.0%		
Gross Profit	**$0.2**	**$0.7**	**$1.2**	**$1.9**	**$1.6**	**$1.8**	**$2.5**	**$3.1**	**$3.7**	**$4.3**	**$5.1**	**$7.4**	**$4.0**	**$9.0**	**$20.4**	**$45.5**	**$67.3**	**$86.4**	**84.5%**	
% of sales	14.6%	29.6%	38.4%	41.7%	36.7%	36.2%	44.0%	45.0%	49.0%	51.0%	51.0%	52.0%	34.8%	41.1%	51.0%	65.0%	69.0%	72.0%		Guidance on "GM": 13': 39-41%; 14': 50-56%; 15': 60-66%
Growth	NM	NM	NM	NM	NM	NM	98.6%	68.0%	NM	NM	NM	NM	NM	NM	NM	NM	NM	28.5%		16'-17': GM will be around the high 60s.
Incremental Margin	103.5%	76.1%	65.0%	44.0%	47.9%	42.6%	51.6%	51.0%	66.4%	73.0%	60.0%	58.7%	48.1%	48.2%	63.0%	83.7%	79.2%	85.0%		
Research & Development	**$1.5**	**$1.7**	**$1.7**	**$1.7**	**$2.0**	**$1.9**	**$2.0**	**$2.1**	**$2.1**	**$2.1**	**$2.0**	**$2.1**	**$6.6**	**$8.0**	**$8.3**	**$9.8**	**$12.7**	**$15.6**	**18.8%**	Guidance: Higher R&D in 13'-14' due to efforts in 1) rare neoplasm;
% of sales	100.9%	67.6%	53.6%	38.6%	45.8%	37.5%	36.3%	30.0%	27.5%	25.0%	20.0%	15.0%	56.8%	36.5%	20.7%	14.0%	13.0%	13.0%		2) lung; and 3) OUS cost studies
Growth	(17.7%)	(6.8%)	(3.9%)	(4.4%)	35.7%	13.4%	17.3%	20.8%	2.4%	11.3%	(2.2%)	2.2%	(1.1%)	21.4%	3.3%	18.3%	29.3%	23.2%		R&D: Expect ~35%, 20% and 15% for 13'-15', eventually decrease to 13%.
Sales, General & Admin.	**$3.0**	**$3.7**	**$4.4**	**$5.3**	**$5.5**	**$5.4**	**$6.5**	**$7.8**	**$8.1**	**$8.1**	**$8.6**	**$11.4**	**$16.4**	**$25.1**	**$36.2**	**$37.1**	**$46.0**	**$46.0**	**22.9%**	Includes Genzyme co-promo fee (32% after Q1:14)
% of sales	203.2%	148.5%	138.0%	117.8%	125.3%	105.6%	116.8%	112.0%	108.2%	95.4%	87.0%	80.4%	140.7%	114.4%	90.4%	53.0%	47.2%	38.3%		
Growth	NM	NM	NM	NM	84.3%	45.3%	46.9%	47.8%	47.3%	50.9%	31.9%	46.8%	97.1%	53.6%	43.9%	2.5%	23.9%	(0.0%)		
Total Operating Expenses	**$4.5**	**$5.4**	**$6.2**	**$7.0**	**$7.5**	**$7.3**	**$8.6**	**$9.8**	**$10.1**	**$10.2**	**$10.6**	**$13.5**	**$23.0**	**$33.2**	**$44.5**	**$46.9**	**$58.6**	**$61.6**	**21.8%**	Total Operating Expenses: 13': $32-34MM; 14': $46-50MM; 15': $58-67MM
% of sales	304.1%	216.2%	191.6%	156.4%	171.1%	143.1%	153.1%	142.0%	135.7%	120.4%	107.0%	95.4%	197.6%	150.9%	111.1%	67.0%	60.2%	51.3%		
Growth	94.0%	91.4%	87.2%	83.5%	68.2%	35.3%	38.6%	41.1%	35.3%	40.5%	23.8%	37.4%	53.3%	44.3%	34.1%	5.5%	25.0%	5.0%		
EBITDA	**($4.1)**	**($4.4)**	**($4.8)**	**($4.9)**	**($5.7)**	**($5.2)**	**($5.8)**	**($6.4)**	**($5.9)**	**($5.3)**	**($4.9)**	**($5.5)**	**($18.9)**	**($23.1)**	**($21.7)**	**$2.8**	**$14.5**	**$32.2**	**NM**	
% of sales	(277.7%)	(179.4%)	(147.7%)	(110.7%)	(129.9%)	(102.4%)	(103.9%)	(92.6%)	(78.7%)	(62.3%)	(49.9%)	(39.2%)	(162.8%)	(105.2%)	(54.1%)	4.1%	14.9%	26.8%		
Growth	211.6%	194.8%	240.9%	448.4%	39.7%	16.6%	22.0%	30.1%	3.3%	1.7%	(14.9%)	(13.6%)	NM	NM	NM	NM	NM	NM		
Depreciation and Amortization	**$0.2**	**$0.2**	**$0.2**	**$0.2**	**$0.2**	**$0.2**	**$0.3**	**$0.3**	**$0.6**	**$0.6**	**$0.6**	**$0.6**	**$0.0**	**$1.0**	**$2.4**	**$4.3**	**$5.9**	**$7.3**	**NM**	
Operating Profit	**($4.2)**	**($4.6)**	**($4.9)**	**($5.1)**	**($5.9)**	**($5.4)**	**($6.1)**	**($6.7)**	**($6.5)**	**($5.9)**	**($5.5)**	**($6.1)**	**($18.9)**	**($24.1)**	**($24.1)**	**($1.4)**	**$8.6**	**$24.9**	**NM**	**Expect to reach breakeven with total sales of $70-80MM**
% of sales	(289.5%)	(186.6%)	(153.2%)	(114.8%)	(134.4%)	(106.9%)	(109.1%)	(97.0%)	(86.7%)	(69.4%)	(56.0%)	(43.4%)	(162.8%)	(109.8%)	(60.1%)	(2.0%)	8.8%	20.7%		OCT 17 S1: Total operating loss for Q3:13: $5.9-6.4MM
Growth	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM		
Incremental Margin	(60.0%)	(36.2%)	(49.1%)	(67.1%)	(56.4%)	(30.6%)	(49.1%)	(64.8%)	(19.1%)	(13.5%)	12.8%	7.9%	(40.8%)	(50.3%)	0.4%	75.6%	36.5%	72.0%		
Other non-Operating Expense	**$0.0**	**$0.0**	**$0.0**	**($0.3)**	**$1.0**	**$1.1**	**$0.1**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**($0.3)**	**$2.1**	**$0.0**	**$0.0**	**$0.0**	**$0.0**		
Net Interest Expense	**($0.0)**	**($0.0)**	**($0.0)**	**($0.0)**	**($0.0)**	**$0.0**	**$0.1**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**($0.0)**	**$0.1**	**$0.0**	**$0.0**	**$0.0**	**$0.0**		
Earnings Before Taxes	**($4.2)**	**($4.6)**	**($4.9)**	**($4.8)**	**($6.9)**	**($6.5)**	**($6.3)**	**($6.7)**	**($6.5)**	**($5.9)**	**($5.5)**	**($6.1)**	**($18.6)**	**($26.4)**	**($24.1)**	**($1.4)**	**$8.6**	**$24.9**	**NM**	
Margin	(289.5%)	(186.5%)	(153.2%)	(108.5%)	(157.2%)	(128.1%)	(112.7%)	(97.0%)	(86.7%)	(69.4%)	(56.0%)	(43.4%)	(160.4%)	(120.2%)	(60.1%)	(2.0%)	8.8%	20.7%		
Growth	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM		
Income Taxes	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**($0.5)**	**$3.4**	**$9.7**		
Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	39.0%	39.0%	39.0%		
Net Income	**($4.2)**	**($4.6)**	**($4.9)**	**($4.8)**	**($6.9)**	**($6.5)**	**($6.3)**	**($6.7)**	**($6.5)**	**($5.9)**	**($5.5)**	**($6.1)**	**($18.6)**	**($26.4)**	**($24.1)**	**($0.9)**	**$5.3**	**$15.2**	**NM**	
Margin	(289.5%)	(186.5%)	(153.2%)	(108.5%)	(157.2%)	(128.1%)	(112.7%)	(97.0%)	(86.7%)	(69.4%)	(56.0%)	(43.4%)	(160.4%)	(120.2%)	(60.1%)	(1.2%)	5.4%	12.6%		
Growth	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM		
GAAP Earnings Per Share	**($0.35)**	**($0.38)**	**($0.40)**	**($0.40)**	**($0.56)**	**($0.53)**	**($0.39)**	**($0.35)**	**($0.28)**	**($0.26)**	**($0.24)**	**($0.27)**	**($1.52)**	**($1.77)**	**($1.05)**	**($0.04)**	**$0.23**	**$0.66**	**NM**	Adjusted for IPO split (1 for 18.82) and reverse stock split (4 for 1)
Shares Outstanding	12	12	12	12	12	12	16	19	23	23	23	23	12	15	23	23	23	23		
Growth	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM		

Source: Company Reports, Thomson One, and Cowen and Company.

Exhibit 11. VCYT – Balance Sheet

(MM, except EPS)	2011	2012	2013E	2014E	2015E	2016E	2017E
ASSETS							
Cash & Equivalents	$8	$14	$65	$40	$38	$48	$70
Accounts Receivable, net	$0	$1	$1	$2	$3	$4	$5
Inventories, net	$0	$1	$4	$7	$8	$10	$11
Prepaid expenses and Other Current Assets	$1	$1	$1	$2	$4	$5	$6
Total Current Assets	**$9**	**$16**	**$71**	**$50**	**$53**	**$67**	**$92**
Property, Plant & Equipment, net	$2	$2	$3	$3	$3	$3	$3
Restricted cash	$0	$0	$0	$0	$0	$0	$0
Other LT Assets	$0	$0	$0	$0	$0	$0	$0
Total LT Assets	**$2**	**$3**	**$3**	**$3**	**$3**	**$3**	**$3**
TOTAL ASSETS	**$10**	**$19**	**$74**	**$53**	**$56**	**$71**	**$96**
LIABILITIES							
Accounts Payable	$1	$2	$6	$8	$10	$11	$11
Accrued liabilities	$1	$4	$4	$4	$4	$4	$4
Deferred up-front fee	$0	$3	$3	$3	$3	$3	$3
Preferred stock liability	$0	$1	$1	$1	$1	$1	$1
Other Current Liabilities	$0	$0	$0	$0	$0	$0	$0
Total Current Liabilities	**$2**	**$9**	**$13**	**$15**	**$17**	**$18**	**$18**
Long Term Debt	$0	$0	$5	$5	$5	$5	$5
Deferred rent	$0	$0	$0	$0	$0	$0	$0
Preferred stock warrant liability	$0	$0	$0	$0	$0	$0	$0
Deferred Genzyme co-promotion fee	$0	$5	$3	$0	$0	$0	$0
Total LT Liabilities	**$0**	**$5**	**$8**	**$5**	**$5**	**$5**	**$5**
Convertible preferred stock, $0.001 par value	$49	$63	$63	$63	$63	$63	$63
Common stock, $0.001 par value	$0	$0	$0	$0	$0	$0	$0
Additional paid-in capital	$1	$2	$60	$60	$60	$60	$60
Accumulated deficit	($41)	($60)	($70)	($91)	($89)	($76)	($51)
Total Shareholder Equity	**$9**	**$5**	**$53**	**$32**	**$35**	**$48**	**$72**
TOTAL LIAB. & SHAREHOLDER EQUITY	**$10**	**$19**	**$74**	**$53**	**$56**	**$71**	**$96**

Source: Company Reports and Cowen and Company.

Exhibit 12. VCYT – Cash Flow

(MM, except EPS)	2011	2012	2013E	2014E	2015E	2016E	2017E
CASH FLOWS FROM OPERATING ACTIVITIES							
Net Income	**($14.4)**	**($18.6)**	**($26.4)**	**($24.1)**	**($0.9)**	**$5.3**	**$15.2**
Depreciation and amortization	$0.6	$0.7	$1.3	$2.4	$4.3	$5.9	$7.3
Bad debt expense	$0.2	$0.2	$0.4	$0.8	$1.4	$1.9	$2.3
Loss on write-off of property and equipment	$0.2	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Genzyme co-promotion fee amortization	$0.0	($2.4)	($2.5)	($2.5)	($2.5)	$0.0	$0.0
Stock-based comp	$0.5	$0.7	$0.8	$0.8	$0.8	$0.8	$0.8
Equity-based comp	$0.2	$0.3	$0.3	$0.3	$0.3	$0.3	$0.3
Change in fair value of preferred stock liability	($0.7)	($0.3)	$2.5	$0.0	$0.0	$0.0	$0.0
Other non-cash expense	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Change in Working Capital	**($0.1)**	**$12.3**	**($0.1)**	**($1.6)**	**($3.2)**	**($3.1)**	**($2.7)**
Accounts Receivable, net	($0.5)	($0.6)	($0.5)	($0.8)	($1.3)	($1.2)	($0.9)
Inventories, net	($0.1)	($0.8)	($3.4)	($2.2)	($1.6)	($1.9)	($1.1)
Prepaid expenses and current other assets	($0.1)	($0.2)	($0.4)	($0.8)	($1.5)	($1.4)	($1.1)
Other assets	($0.0)	($0.1)	$0.0	$0.0	$0.0	$0.0	$0.0
Accounts payable	$0.1	$1.3	$4.2	$2.3	$1.2	$1.4	$0.4
Accrued liabilities and deferred rent	$0.5	$2.6	$0.0	$0.0	$0.0	$0.0	$0.0
Interest payable	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Deferred Genzyme co-promotion fee	$0.0	$10.0	$0.0	$0.0	$0.0	$0.0	$0.0
CASH FLOWS FROM OPERATIONS	**($13.5)**	**($7.2)**	**($23.6)**	**($23.8)**	**$0.1**	**$11.1**	**$23.2**
CASH FLOWS FROM CONT. OPERATIONS	($13.5)	($7.2)	($23.6)	($23.8)	$0.1	$11.1	$23.2
FREE CASH FLOW	($13.8)	($8.6)	($25.1)	($25.3)	($1.4)	$9.6	$21.7
Capital Expenditures	($0.3)	($1.5)	($1.5)	($1.5)	($1.5)	($1.5)	($1.5)
Growth		429.4%					
Dividends	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Growth	NM	NM	NM	NM	NM	NM	NM
FCF/Share	($5.95)	($0.70)	($1.68)	($1.11)	($0.06)	$0.42	$0.95
Yield							
CASH FLOWS FROM INVESTING ACTIVITIES							
Capital Expenditures	($0.3)	($1.5)	($1.5)	($1.5)	($1.5)	($1.5)	($1.5)
Change in restricted cash	($0.1)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Other			$0.0	$0.0	$0.0	$0.0	$0.0
CASH FLOWS FROM INVESTING	**($0.3)**	**($1.5)**	**($1.5)**	**($1.5)**	**($1.5)**	**($1.5)**	**($1.5)**
CASH FLOWS FROM INVESTING of Cont. Op.	($0.3)	($1.5)	($1.5)	($1.5)	($1.5)	($1.5)	($1.5)
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from issuance of LT Debt	$0.0	$0.0	$4.9	$0.0	$0.0	$0.0	$0.0
Proceeds from issuance of convertible preferred stock	$18.6	$15.0	$13.0	$0.0	$0.0	$0.0	$0.0
Repayment for repurchase of restricted common stock	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Proceeds from the exercise of common stock options	$0.0	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1
Proceeds from issuance of common stock	$0.0	$0.0	$57.9	$0.0	$0.0	$0.0	$0.0
Other	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
CASH FLOWS FROM FINANCING	**$18.6**	**$15.1**	**$75.9**	**$0.1**	**$0.1**	**$0.1**	**$0.1**
CASH FLOWS FROM FINANCING of Cont. Op.	$18.6	$15.1	$75.9	$0.1	$0.1	$0.1	$0.1
Cash used in financing activities of Disc. Op.							
FX IMPACT	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**

Source: Company Reports and Cowen and Company.

Valuation Methodology & Investment Risks

Valuation Methodology

Life Science & Diagnostic Tools:

Price targets are based on several methodologies which may include: analysis of market risk, growth rate, revenue stream, discounted cash flows (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount) / average group EV/EBITDA, premium (discount) / average group P/E, sum of the parts, net asset value, dividend returns, and return on equity (ROE) over the next 12 months.

Investment Risks

Life Science & Diagnostic Tools:

Risks to the Medical and Life Science Tools sector may include: reduction or delay in research and development budgets and government funding, reduced or delayed purchasing from health care / hospital customers, increased or extended regulatory hurdles or processes for regulated products, increased dependence on volatile emerging markets for revenues and profitability, and general macroeconomic challenges.

Company Specific Risks

Risks include but are not limited to: difficulty in expanding payer coverage and entering into payer contracts; reimbursement prices lower than expected; delays or weaker than expected clinical data in support of new products; competition from other potential molecular diagnostic players; weaker than expected uptake in international markets; Genzyme partnership could beomce "relatively" expensive; and delivering on margin / profitability targets.

Addendum

STOCKS MENTIONED IN IMPORTANT DISCLOSURES

Ticker	Company Name
FLDM	Fluidigm
GHDX	Genomic Health
ICEL	Cellular Dynamics International Inc
MYGN	Myriad Genetics
VCYT	Veracyte

Analyst Certification

Each author of this research report hereby certifies that (i) the views expressed in the research report accurately reflect his or her personal views about any and all of the subject securities or issuers, and (ii) no part of his or her compensation was, is, or will be related, directly or indirectly, to the specific recommendations or views expressed in this report.

Important Disclosures

Cowen and Company, LLC and or its affiliates make a market in the stock of Veracyte, Fluidigm, Genomic Health, Cellular Dynamics International Inc and Myriad Genetics securities.

Veracyte and Cellular Dynamics International Inc have been client(s) of Cowen and Company, LLC in the past 12 months.

Cowen and Company, LLC and/or its affiliates expect to receive, or intend to seek, compensation for investment banking services in the next 3 months from Veracyte.

Veracyte and Cellular Dynamics International Inc is or was in the past 12 months a client of Cowen and Company, LLC; during the past 12 months, Cowen and Company, LLC provided IB services.

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Cowen and Company Rating System effective May 25, 2013

Outperform (1): The stock is expected to achieve a total positive return of at least 15% over the next 12 months

Market Perform (2): The stock is expected to have a total return that falls between the parameters of an Outperform and Underperform over the next 12 months

Underperform (3): Stock is expected to achieve a total negative return of at least 10% over the next 12 months

Assumption: The expected total return calculation includes anticipated dividend yield

Cowen and Company Rating System until May 25, 2013

Outperform (1): Stock expected to outperform the S&P 500

Neutral (2): Stock expected to perform in line with the S&P 500

Underperform (3): Stock expected to underperform the S&P 500

Assumptions: Time horizon is 12 months; S&P 500 is flat over forecast period

Cowen Securities, formerly known as Dahlman Rose & Company, Rating System until May 25, 2013

Buy – The fundamentals/valuations of the subject company are improving and the investment return is expected to be 5 to 15 percentage points higher than the general market return

Sell – The fundamentals/valuations of the subject company are deteriorating and the investment return is expected to be 5 to 15 percentage points lower than the general market return

Hold – The fundamentals/valuations of the subject company are neither improving nor deteriorating and the investment return is expected to be in line with the general market return

COWEN AND COMPANY RATING ALLOCATION

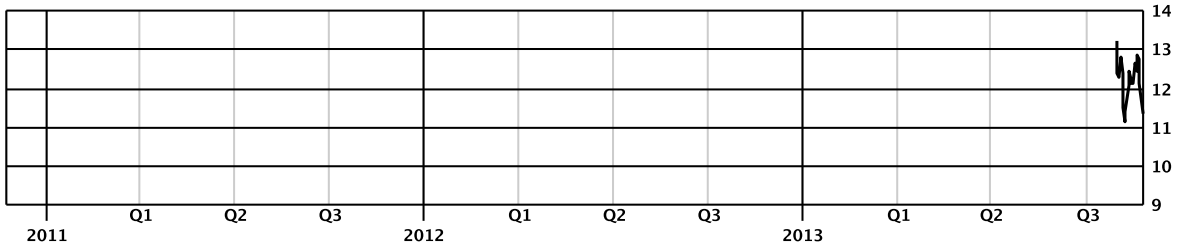
Distribution of Ratings/Investment Banking Services (IB) as of 09/30/13

Rating	Count	Ratings Distribution	Count	IB Services/Past 12 Months
Buy (a)	394	58.72%	54	13.71%
Hold (b)	255	38.00%	5	1.96%
Sell (c)	22	3.28%	1	4.55%

(a) Corresponds to "Outperform" rated stocks as defined in Cowen and Company, LLC's rating definitions. (b) Corresponds to "Market Perform" as defined in Cowen and Company, LLC's ratings definitions. (c) Corresponds to "Underperform" as defined in Cowen and Company, LLC's ratings definitions.

Note: "Buy", "Hold" and "Sell" are not terms that Cowen and Company, LLC uses in its ratings system and should not be construed as investment options. Rather, these ratings terms are used illustratively to comply with FINRA and NYSE regulations.

Rating and Price Target History for: Veracyte (VCYT) as of 11-25-2013



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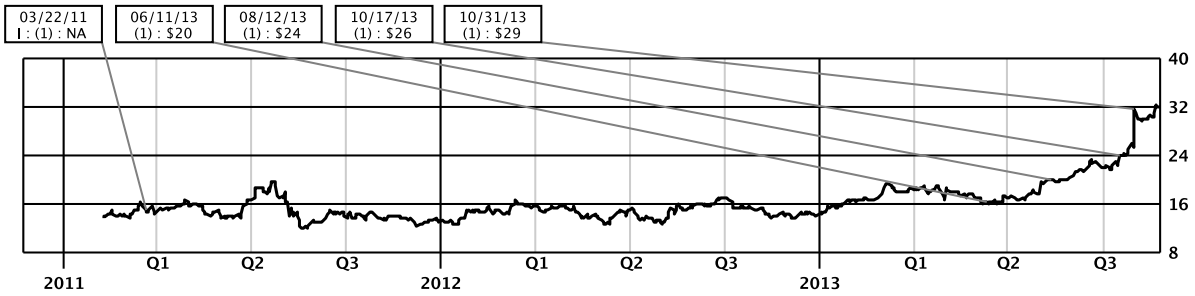
Rating and Price Target History for: Fluidigm (FLDM) as of 11-25-2013



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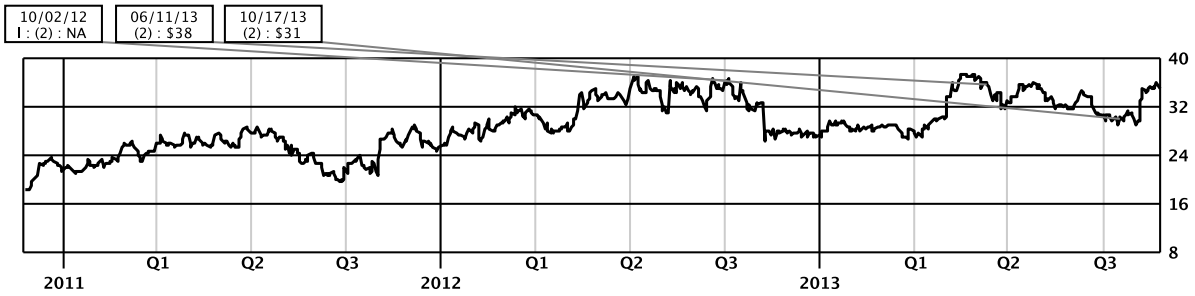
Rating and Price Target History for: Genomic Health (GHDX) as of 11-25-2013



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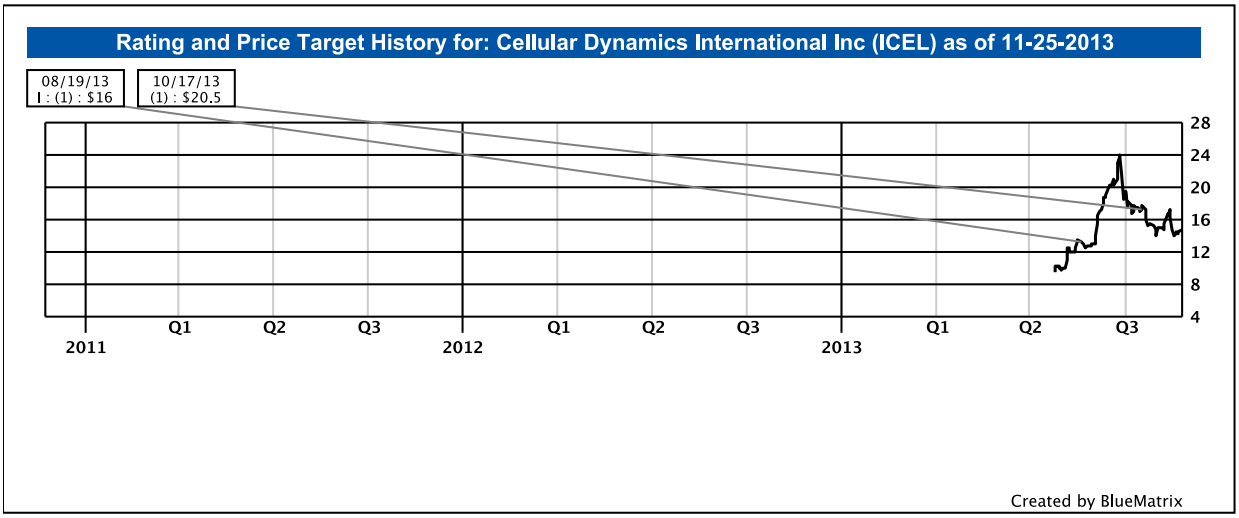

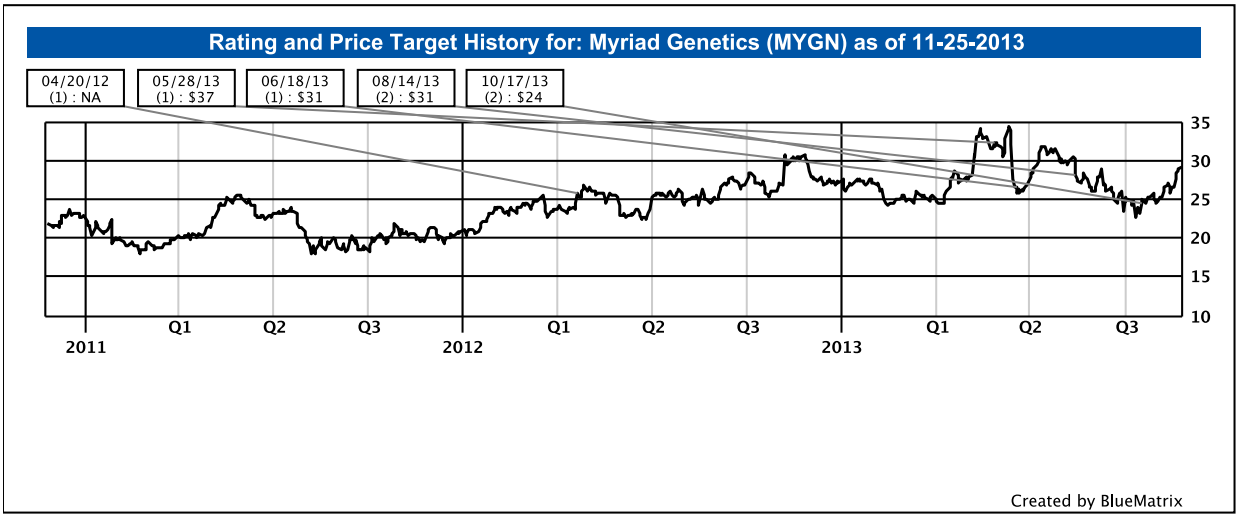

Legend for Price Chart:

I = Initation | 1 = Outperform | 2 = Market Perform | 3 = Underperform | UR = Price Target Under Review | T = Terminated Coverage | $xx = Price Target | NA = Not Available