

Veracyte, Inc. (VCYT)

Overweight

GEC Test Gains Additional BCBS Coverage; Remain Overweight

CONCLUSION

Veracyte announced positive coverage decisions on two additional Blue Cross Blue Shield (BCBS) organizations, increasing fully covered lives for the GEC test to 135M. Highmark (Pennsylvania) and Horizon (New Jersey) add to the positive coverage decisions from two other BCBS payers (Premera and Wellmark), bringing total Blues coverage to 10M. As mentioned in our initiation (see our note [here](#)), BCBS coverage (~100M lives) is a near to mid-term driver for increased GEC volume and revenue. We believe these two additional payers and inclusion in preliminary ATA guidelines (see our note [here](#)) will lead to further BCBS coverage in 2014. We remain Overweight VCYT shares, with a \$21 (unchanged) price target.

- **Additional Blue Cross Blue Shield Coverage:** Veracyte announced the addition of Highmark of Pennsylvania and Horizon of New Jersey to their positive coverage payer list, adding an additional 7.6M lives under GEC coverage. As a result, total coverage grows to 135M, with 10M covered under a BCBS plan. We believe the positive coverage decisions from Highmark and Horizon, plus inclusion in preliminary ATA guidelines, bodes well for additional BCBS conversion (~100M BCBS customers), increasing GEC volumes and revenue.

		Medical Policy			Effective Date
ID	Managed Care Entity	Membership Est. (mm's)	Covered	Not Covered	
1	Medicare/Medicaid	49.3	X		Jan-12
2	United	33.8	X		Apr-13
4	Aetna	19.6	X		Jun-13
5	Cigna	13.7	X		Dec-13
8	Humana	6.8	X		Jan-14
12	Highmark	4.0	X		Sep-14
15	Horizon BCBS of NJ	2.8	X		Jul-14
16	EmblemHealth	2.6	X		Apr-14
25	Premera	1.4	X		Apr-14
26	Wellmark BCBS	1.4	X		Mar-14
31	Health Net	1.2	X		Jun-13

Source: Company reports and PJC estimates

COMPANY DESCRIPTION

Veracyte develops molecular cytology tests; initially focusing on the thyroid FNA market.

PRICE: US\$16.46

TARGET: US\$21.00

4.6x F2016 EV/Rev (net cash/share: \$1.82, s/o: 27.5M)

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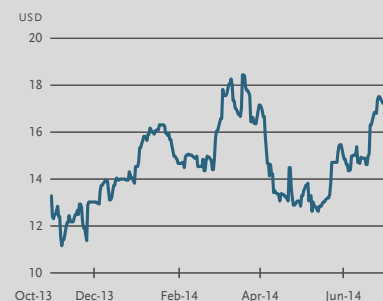
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RISKS TO ACHIEVEMENT OF PRICE TARGET

Veracyte risks include GEC adoption, private payer coverage and competition.

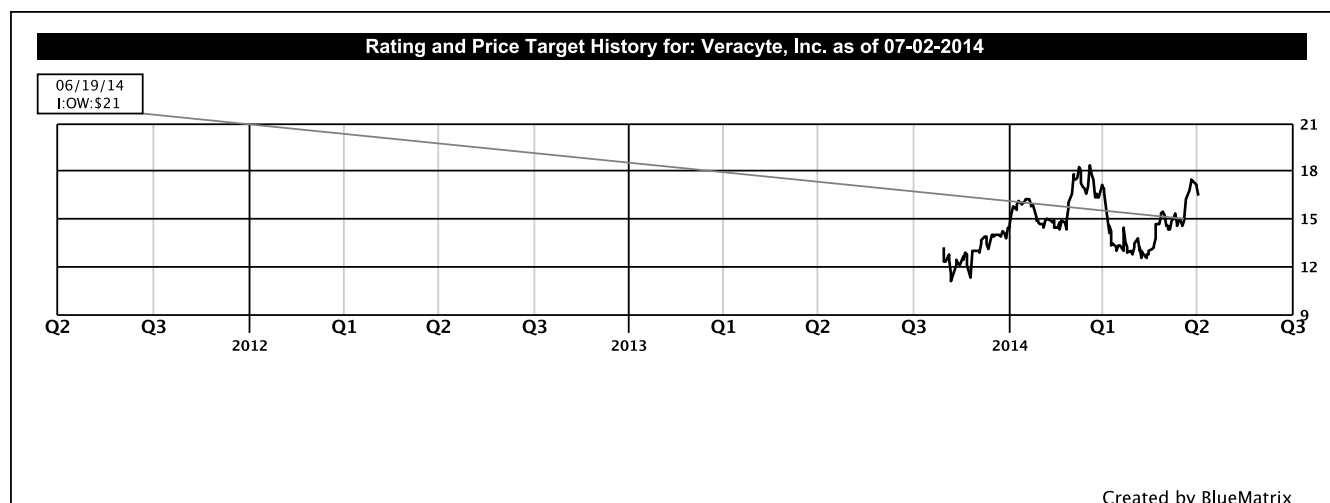
Price Performance - 1 Year



Source: Bloomberg

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I: Initiating Coverage
R: Resuming Coverage
T: Transferring Coverage
D: Discontinuing Coverage
S: Suspending Coverage
OW: Overweight
N: Neutral
UW: Underweight
NA: Not Available
UR: Under Review

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Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [OW]	355	62.17	87	24.51
HOLD [N]	202	35.38	22	10.89
SELL [UW]	14	2.45	0	0.00

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Analyst Certification — William R. Quirk, CFA, Sr Research Analyst — David C. Clair, CFA, Research Analyst

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