



# Second Quarter 2017 Performance

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Investor Financial Presentation  
July 31, 2017

# Highlights



## Second Quarter 2017

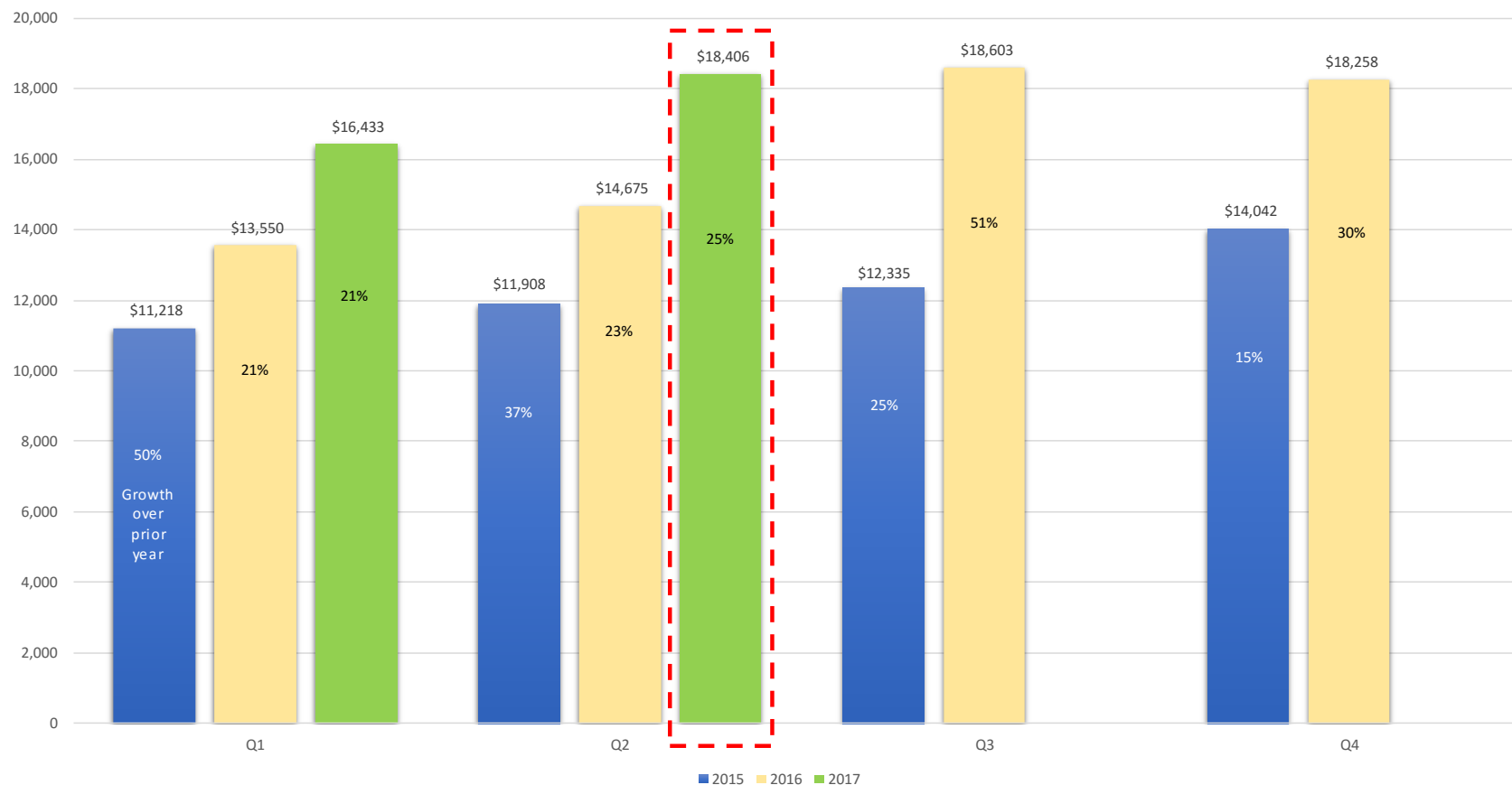
- ✓ Revenue \$18.4 million (+25%)<sup>1</sup>
- ✓ Afirma reported volume 6,500 tests (+11%)
- ✓ Total OpEx \$25.0 million (1% decrease)
- ✓ Net loss \$7.3 million (35% improvement)
- ✓ Net loss per share \$0.22 (45% improvement)
- ✓ Cash burn \$5.0 million (41% improvement)<sup>2</sup>
- ✓ Cash \$46.5 million (At June 30, 2017)

	Quarter				YTD			
	Q2 2017	Q2 2016	Change		YTD Q2 2017	YTD Q2 2016	Change	
			Dollars	Percentage			Dollars	Percentage
\$ in 000's								
Accrued Revenue	\$ 17,612	\$ 9,349	\$ 8,263	✓ 88%	\$ 32,749	\$ 17,575	\$ 15,174	✓ 86%
Cash Revenue	795	5,326	(4,532)	✗ -85%	2,089	10,650	(8,561)	✗ -80%
<b>Revenue</b>	<b>18,406</b>	<b>14,675</b>	<b>3,731</b>	<b>✓ 25%</b>	<b>34,838</b>	<b>28,225</b>	<b>6,613</b>	<b>✓ 23%</b>
Operating expenses:								
Cost of revenue	6,960	6,301	659	✗ 10%	13,257	12,580	677	✗ 5%
Research and development	3,603	4,267	(664)	✓ -16%	7,633	7,728	(95)	✓ -1%
Selling and marketing	7,994	8,263	(269)	✓ -3%	15,330	15,329	1	✗ 0%
General and administrative	6,192	6,071	121	✗ 2%	12,211	12,299	(88)	✓ -1%
Intangible asset amortization	266	267	(1)	✓ 0%	533	534	(1)	✓ 0%
Total operating expenses	25,015	25,169	(154)	✓ -1%	48,964	48,470	494	✗ 1%
<b>Loss from operations</b>	<b>(6,609)</b>	<b>(10,494)</b>	<b>3,885</b>	<b>✓ -37%</b>	<b>(14,126)</b>	<b>(20,245)</b>	<b>6,119</b>	<b>✓ -30%</b>
Interest expense	(808)	(785)	(23)	✗ 3%	(1,608)	(1,152)	(456)	✗ 40%
Other income, net	119	36	83	✓ 231%	219	79	140	✓ 177%
<b>Net loss and comprehensive loss</b>	<b>\$ (7,298)</b>	<b>\$ (11,243)</b>	<b>\$ 3,945</b>	<b>✓ -35%</b>	<b>\$ (15,515)</b>	<b>\$ (21,318)</b>	<b>\$ 5,803</b>	<b>✓ -27%</b>
<b>Shares</b>								
Average shares	33,873	27,860	6,013	✓ 22%	33,849	27,839	6,010	✓ 22%
Net loss per common share (dollars)	\$ (0.22)	\$ (0.40)	\$ 0.18	✓ -45%	\$ (0.46)	\$ (0.77)	\$ 0.31	✓ -40%
<b>Operational Highlights</b>								
Afirma volume (reported)	6,500	5,832	668	✓ 11%	12,334	11,184	1,150	✓ 10%
Gross profit (Rev - Cost of rev)	\$ 11,446	\$ 8,374	\$ 3,072	✓ 37%	\$ 21,581	\$ 15,645	\$ 5,936	✓ 38%
Gross margin	62.2%	57.1%		✓ 5.1%	61.9%	55.4%		✓ 6.5%

1 - Unless otherwise noted, percentages on this slide represent the change relative to the prior year quarter  
 2 - Cash burn defined as the sum of net cash used in operating activities and net capital expenditures

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

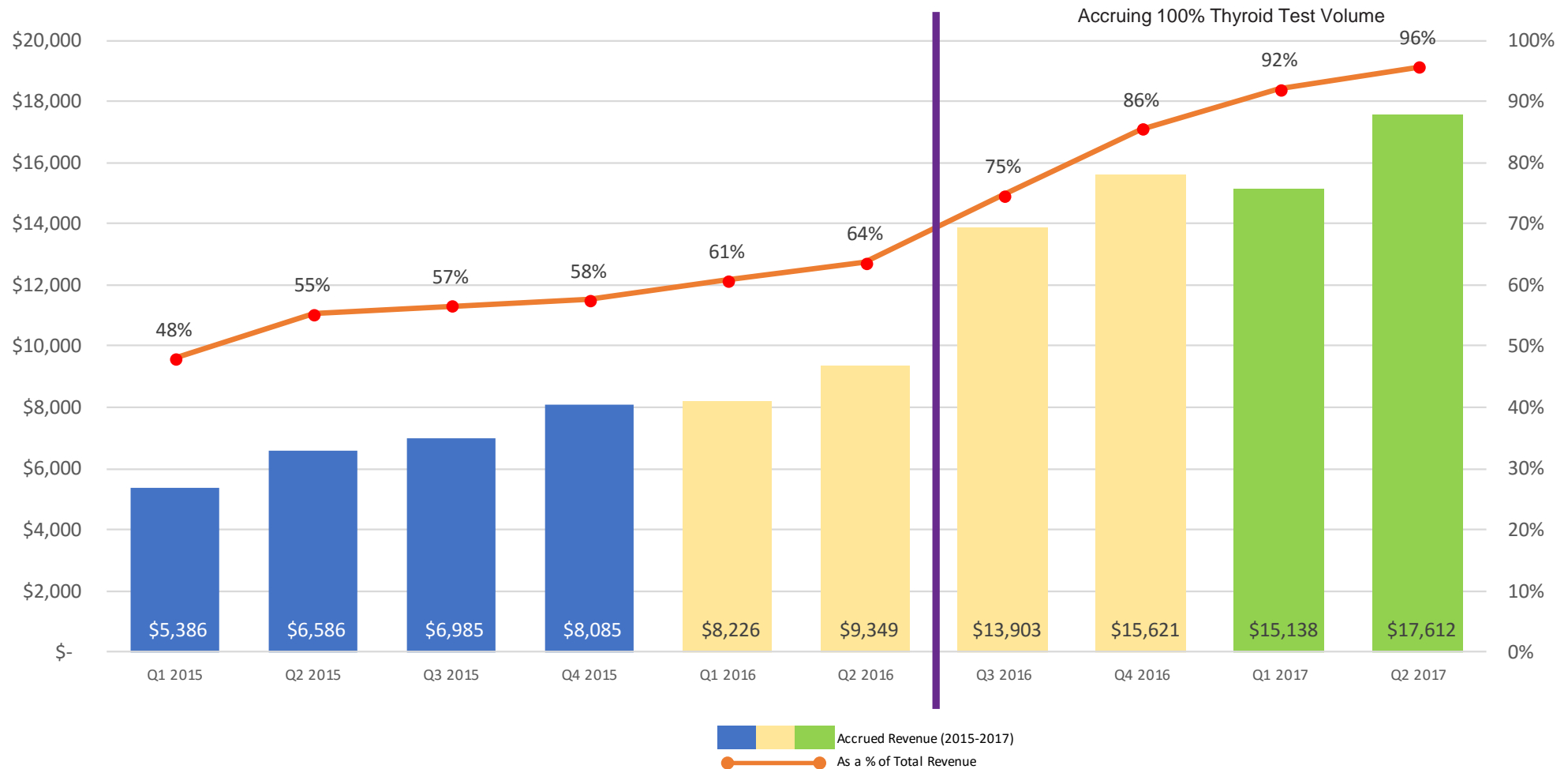
## Year-over-Year Quarterly Revenue

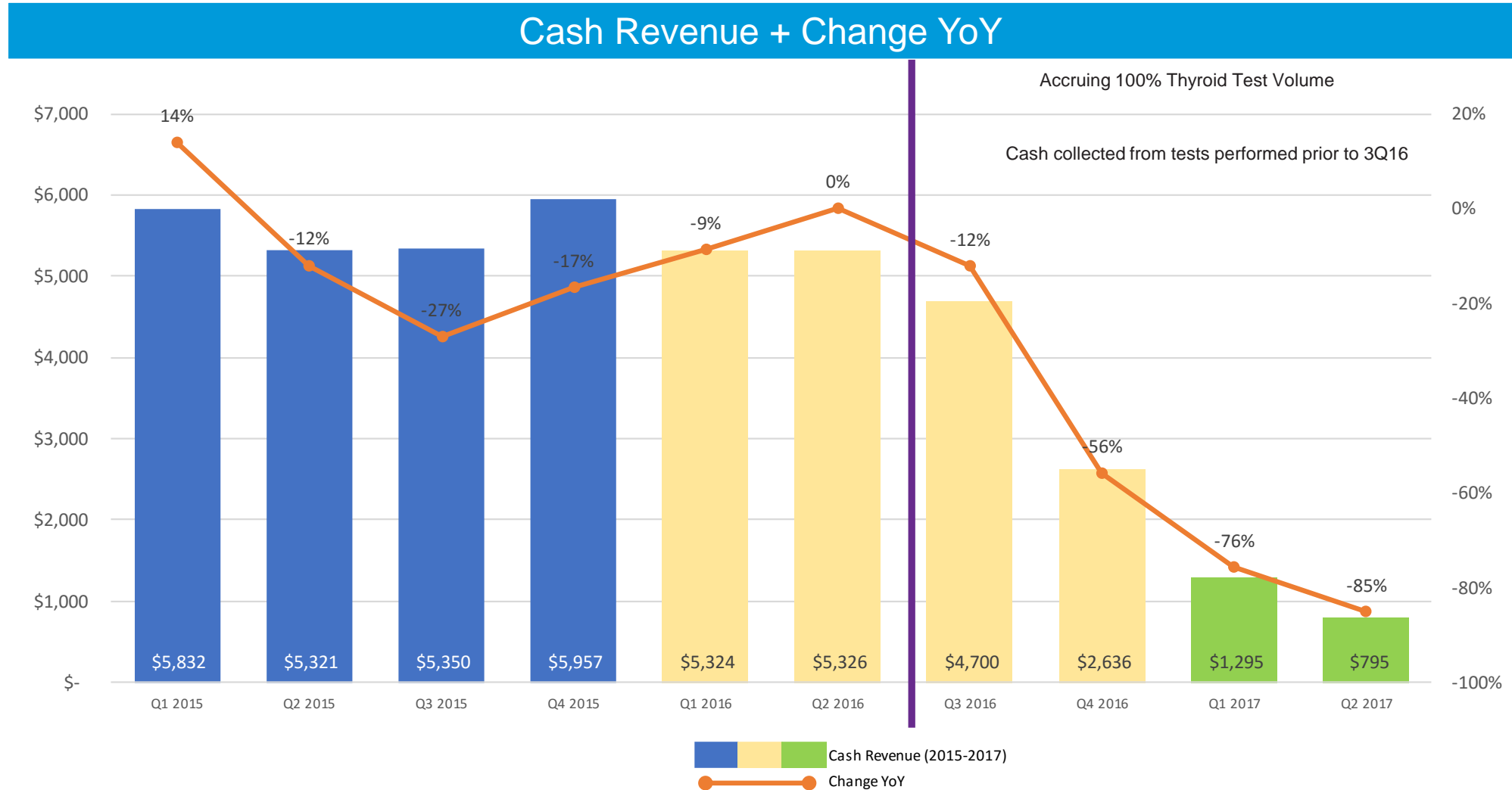


## Revenue Recognition

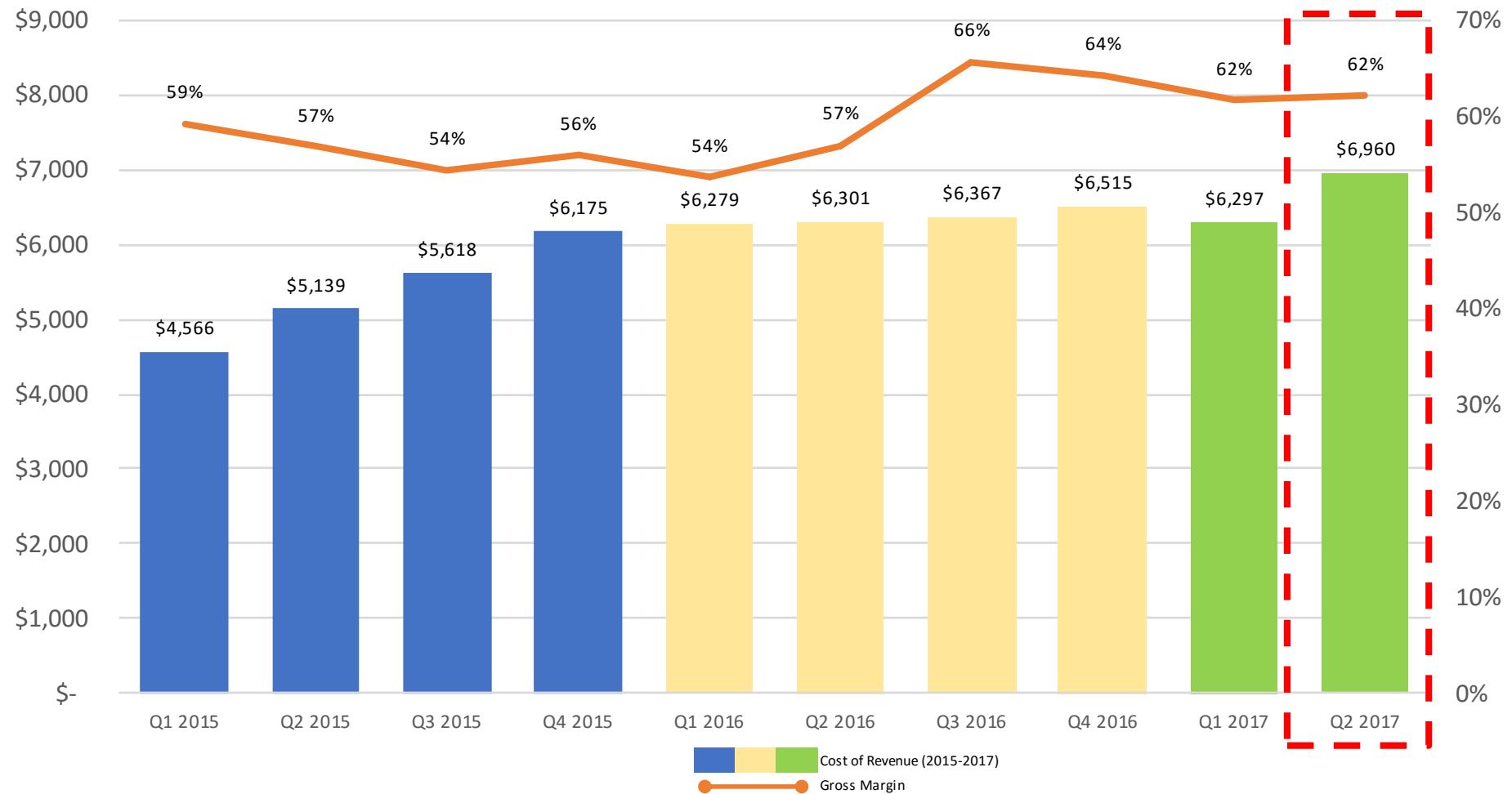
- ❖ Prior to July 1, 2016, Company accrued <50% of billed Afirma test volume
  - ❖ For tests not meeting revenue recognition criteria, revenue recognized upon cash collection
  - ❖ Cash collected over approximately one-year period
  - ❖ Revenue and cost of revenue do not match periods when revenue recognized on cash-basis
- ❖ Revenue recognition standard met in Q3 2016
  - ❖ As result, the Company began accruing substantially all of its billed Afirma test volume starting in Q3 2016

## Accrued Revenue + As a % of Total Revenue



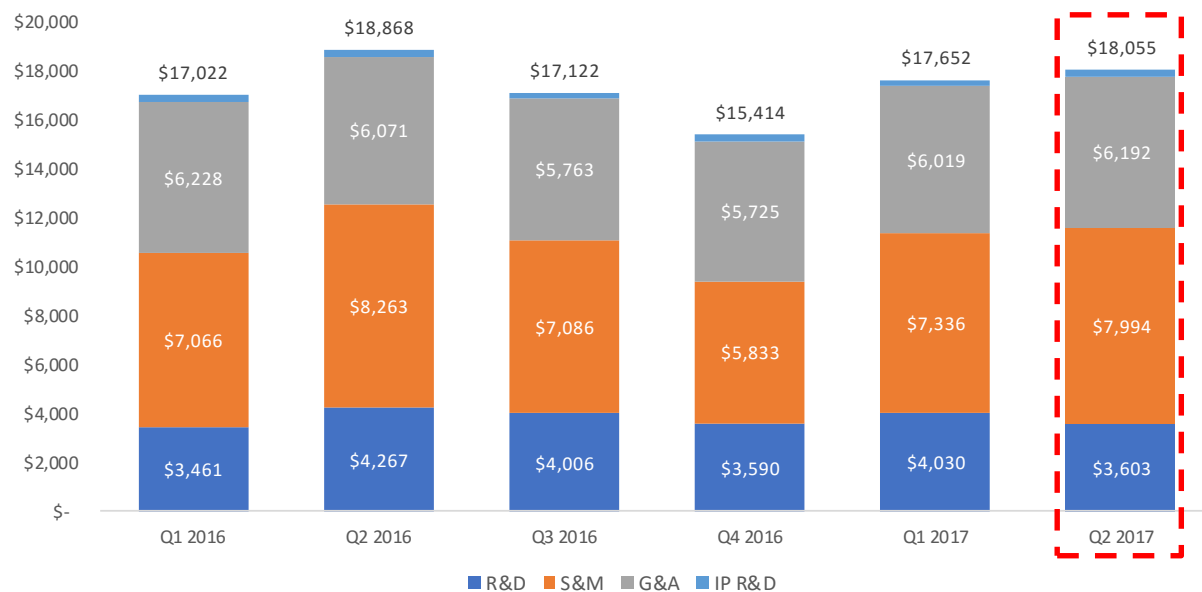


## Cost of Revenue + Gross Margin

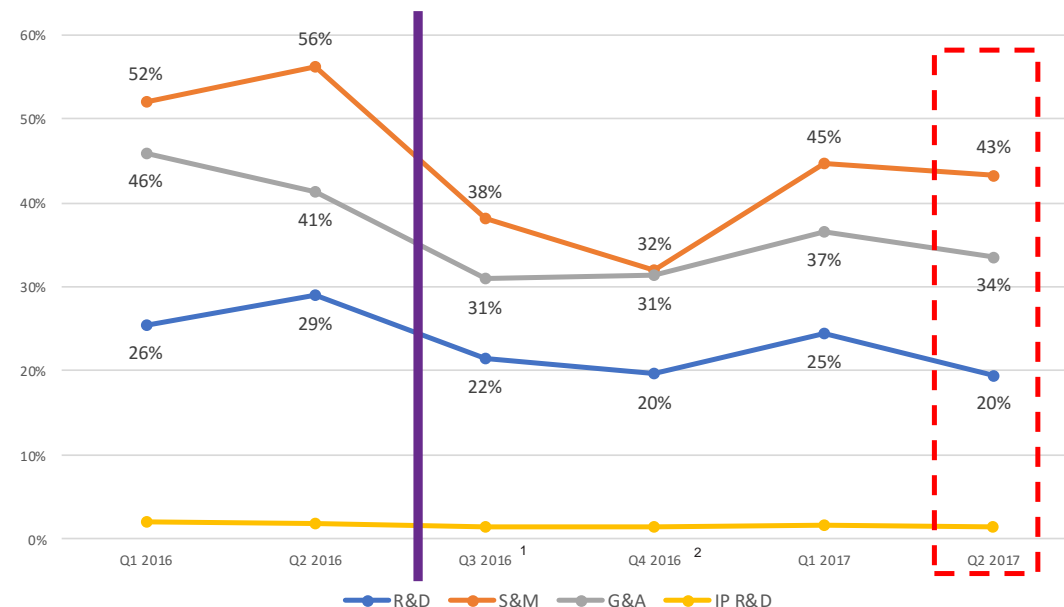


# Operating Expenses

## Operating Expenses

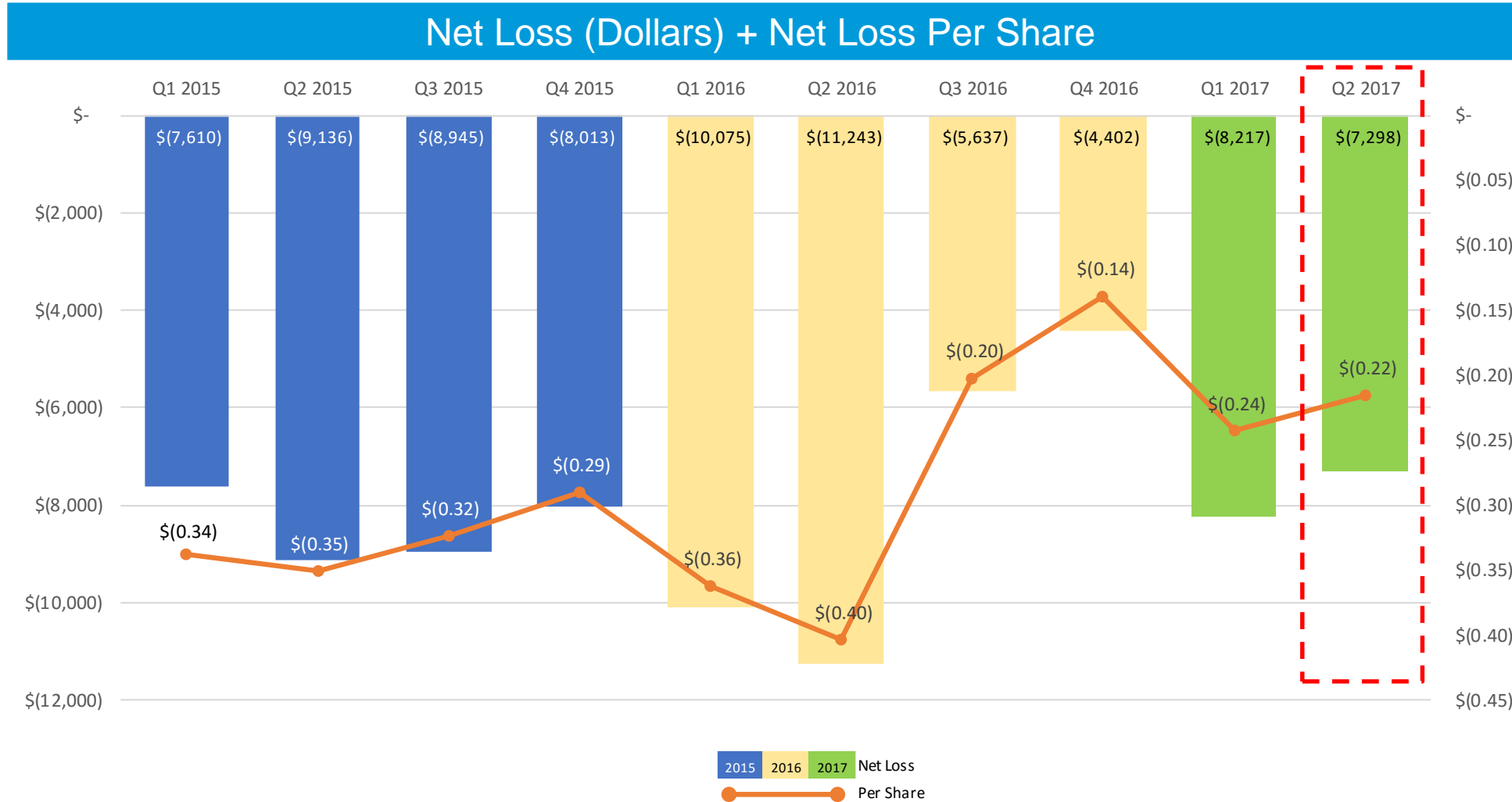


## % of Revenue



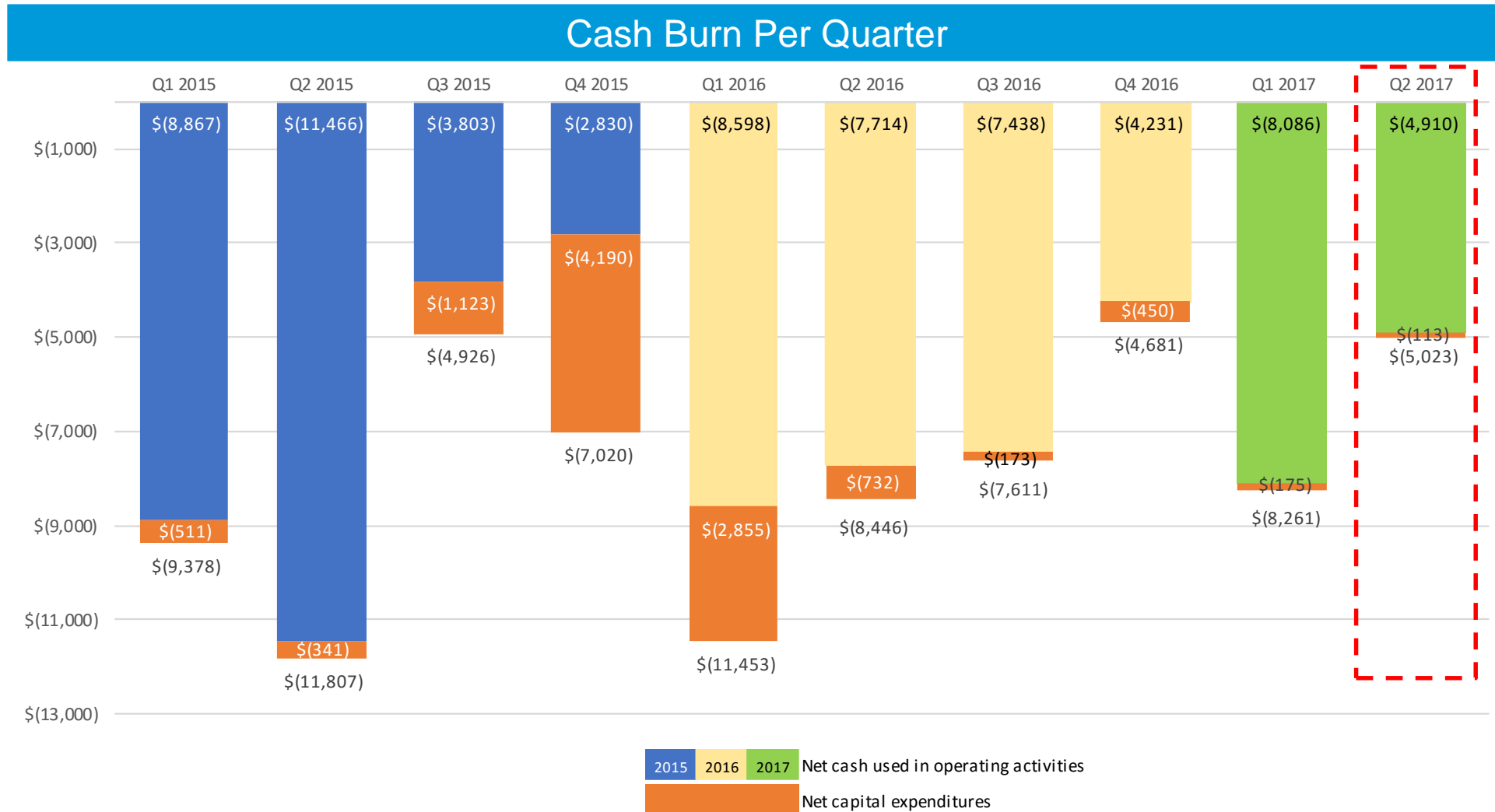
1 – The Company recognized \$3.5 million of incremental revenue during the quarter ended September 30, 2016 upon test delivery that previously would not have been recognized until cash was received. The \$3.5 million of incremental revenue represented 19% of the \$18.6 million in Q3 2016 total revenue.

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.

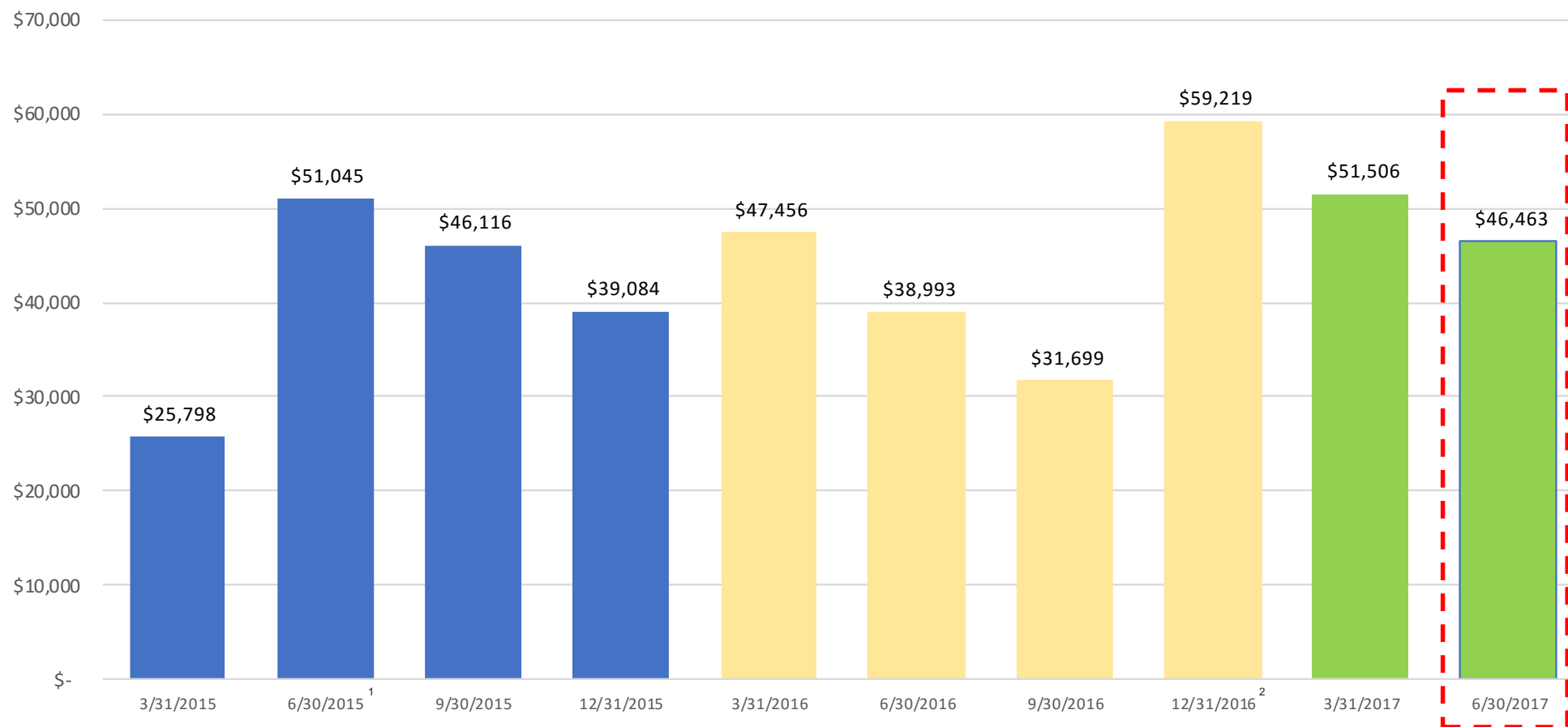




# Cash Burn



## Cash Balance



1 – In April 2015, the Company completed a private placement of 4.9 million shares of its common stock to certain accredited investors, raising \$37.3 million in net cash proceeds.

2 – 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.