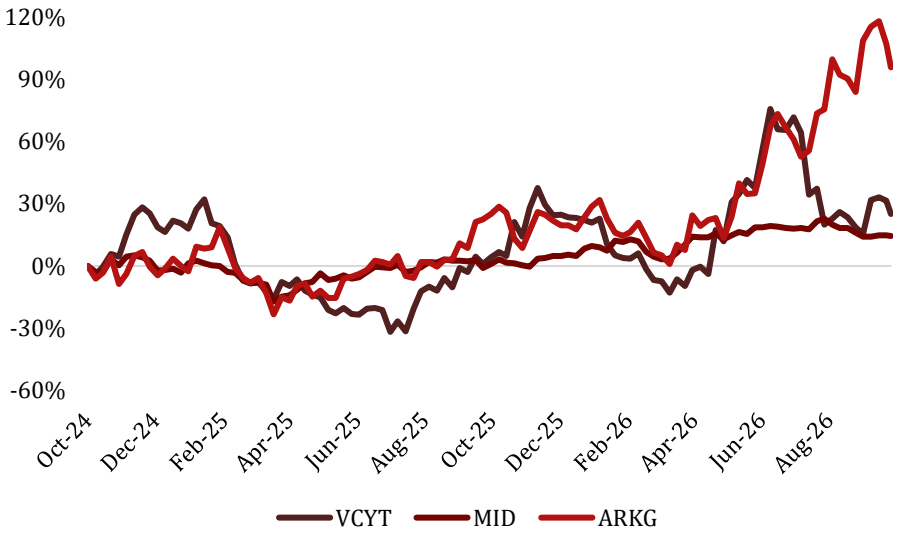
Veracyte, Inc.

NASDAQ: VCYT

Recommendation: **BUY**

Price (10/15/2026)	$43.51
Price Target	$64.83
Potential Upside	49.0%
Market Cap ($Bn)	3.47
Shares Out. (Mn)	80.5
52-wk Hi-Lo	$60.91-29.46
P/E	29.9x
EV/Revenue	6.4x
Gross Margin	70.1%
EPS	$0.84
FCF Yield	4.85%

Two-Year Stock Performance



Investment Rationale

We recommend a **BUY** on Veracyte, Inc. (NASDAQ: VCYT) with a price target of $64.83 representing an implied upside of 49.0%. Veracyte is a precision oncology diagnostics company that develops genomic tests to guide cancer diagnosis, prognosis, and treatment decisions. We believe the market overestimates Decipher's revenue deceleration, while overlooking room for penetration in a Prostate market with rising incidence. Additionally, we believe the market underappreciates Prosigna's ability to reach node-positive patients where existing tests lack guideline-backed evidence.

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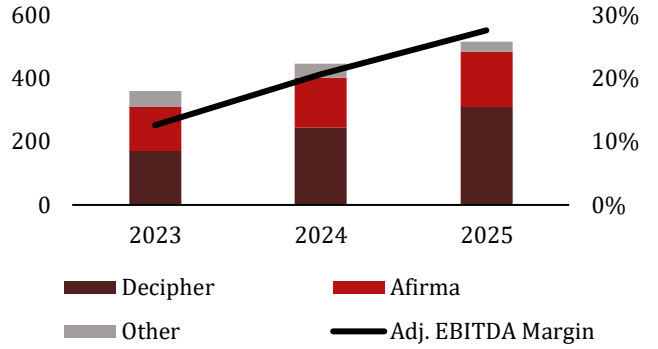
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Business Overview

Veracyte, Inc. (NASDAQ: VCYT) is a precision oncology diagnostics company that develops genomic tests to guide cancer diagnosis, prognosis, and treatment decisions. In the U.S., VCYT performs lab-developed tests (LDTs) in its own CLIA-certified labs and bills Medicare, commercial insurers, and patients. Internationally, the company sells in vitro diagnostic (IVD) kits to hospitals and labs that perform testing locally. In FY25, VCYT generated $517Mn in revenue (+16% y/y), with testing accounting for ~95% ($493Mn, +18% y/y). FY25 testing payer mix was 47% commercial, 34% Medicare FFS, 18% Medicare Advantage, and 1% Medicaid.

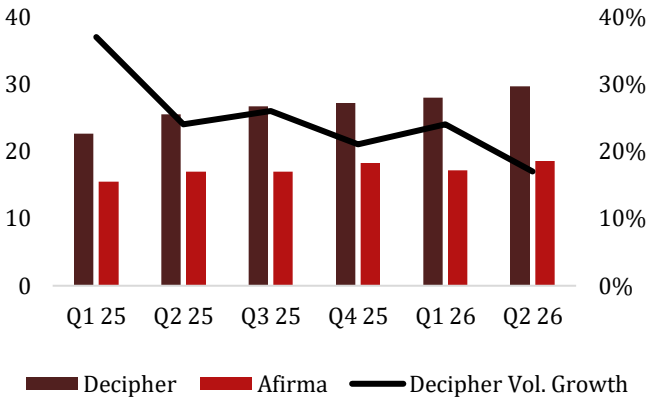
Fig 1: Revenue ($Mn) & Adj. EBITDA Margin



Revenue is driven by two core franchises. Decipher Prostate ($311Mn in FY25, +27% y/y) analyzes prostate tumor biology to assess the risk of cancer progression and guide treatment intensity. The test covers 215Mn+ lives and competes primarily with Myriad's Prolaris and MDxHealth's Oncotype DX GPS. Decipher volume growth moderated to 17% y/y in 2Q26, following 15 consecutive quarters above 20%. Afirma ($173Mn in FY25, +9% y/y) evaluates indeterminate thyroid nodules to identify benign cases and reduce unnecessary surgeries. It covers 275Mn+ lives, competes mainly with ThyroSeq, and recently transitioned to a lower-cost v2 transcriptome platform.

VCYT continues to expand its oncology portfolio through new launches and acquisitions. Prosigna, a breast cancer test that estimates recurrence risk to inform chemotherapy decisions, launched as a U.S. LDT in June 2026. Data from the Phase III OPTIMA trial support its use in higher-risk patients with limited guideline-backed genomic testing options. TrueMRD, also launched in June 2026, detects residual cancer through blood testing and has secured Medicare coverage for muscle-invasive bladder cancer. Together with Decipher Bladder and UroAmp, a urine-based test expected to launch in late 2028, TrueMRD builds out VCYT's bladder cancer franchise. The Percepta Nasal Swab, still in development, is a future opportunity in lung cancer.

Fig 2: Test Volume (K) & Decipher Vol. Growth



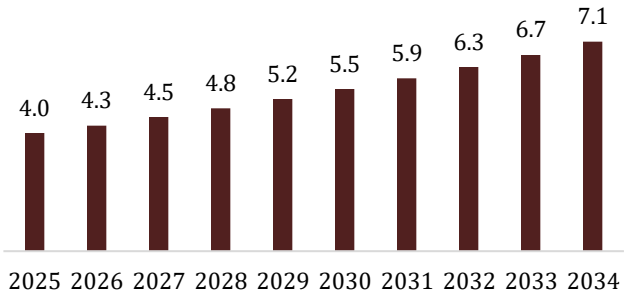
VCYT generated a 27.6% adjusted EBITDA margin in FY25. Management guides FY26 adjusted EBITDA margin to >26%, below the 29.2% reported in 2Q26, as it invests in new launches. The company ended 2Q26 with $485.2Mn in cash and investments. Management guides FY26 revenue to $590–596Mn (+14–15% y/y), with no contribution assumed from Prosigna or TrueMRD.

Sources: 10-K, Earnings Transcripts, Bloomberg

Industry Overview

The precision oncology and molecular diagnostics industry is increasingly shifting cancer care from clinical and pathology-based assessment toward genomic and molecular testing that can improve diagnosis, risk stratification, treatment selection, and recurrence monitoring. The broader global oncology molecular diagnostics market was ~$4.0Bn in 2025 and is projected to reach ~$7.1Bn by 2034. Growth is driven by rising cancer incidence, declining sequencing costs, reimbursement expansion, and greater incorporation of biomarkers into clinical guidelines.

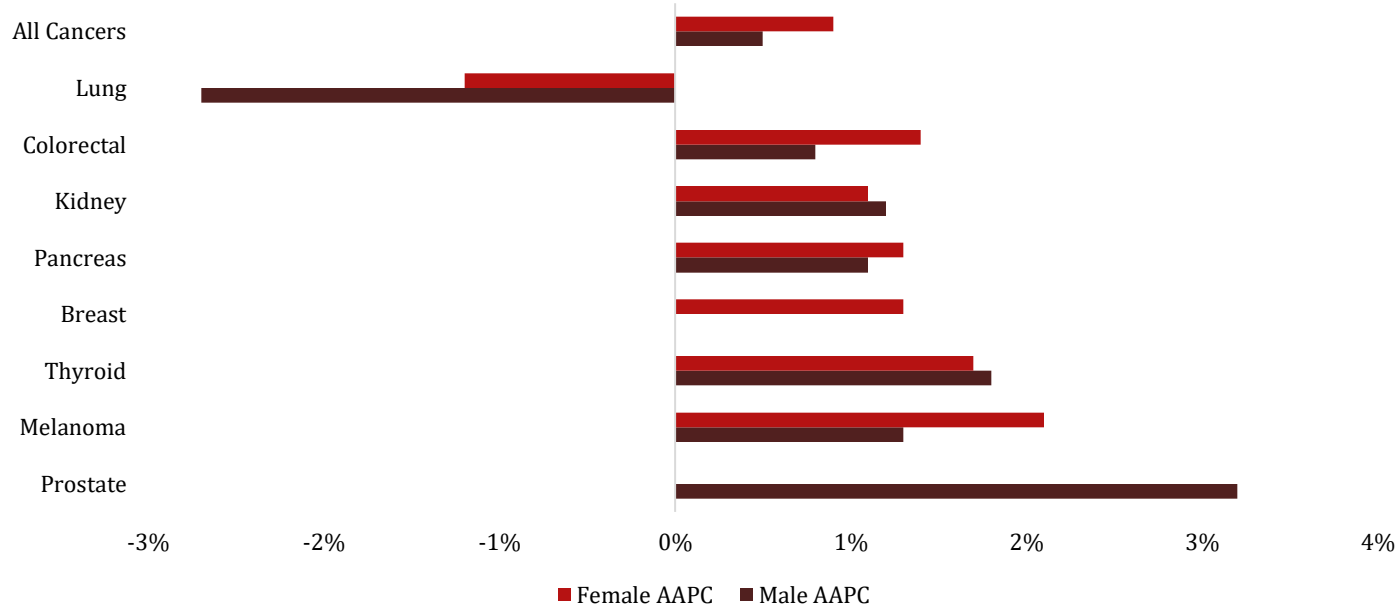
Fig 3: Oncology Molecular Diagnostics Market ($Bn)



The largest near-term opportunity remains increasing penetration within existing indications. Molecular tests can supplement traditional measures such as PSA, Gleason score, tumor stage, pathology, and imaging by identifying the underlying biological aggressiveness of a tumor and, increasingly, predicting treatment response. Prostate cancer represents a particularly large testing opportunity given its ~334K annual U.S. diagnoses, while thyroid diagnostics addresses the ~650K thyroid fine-needle aspiration biopsies performed annually in the U.S., where historically 70–80% of surgically removed indeterminate nodules ultimately prove benign.

The industry is also expanding from one-time diagnostic testing toward multiple tests across the cancer-care continuum. Emerging applications such as minimal residual disease (MRD), circulating tumor DNA, liquid biopsy, and AI-enabled diagnostics have the potential to extend testing from initial diagnosis into treatment selection, post-treatment surveillance, and recurrence detection, increasing both the addressable patient population and number of tests performed per patient. This creates an attractive recurring revenue opportunity, particularly as the cost of sequencing continues to decline and genomic datasets become larger and more clinically useful. Despite improving access, barriers to entry remain high. Successful molecular tests require extensive clinical validation, peer-reviewed evidence, guideline inclusion, reimbursement, and physician adoption, creating advantages for platforms that become embedded in clinical workflows.

Fig 4: Age-Adjusted Average Annual Percentage Changes (AAPC) in Cancer Incidence



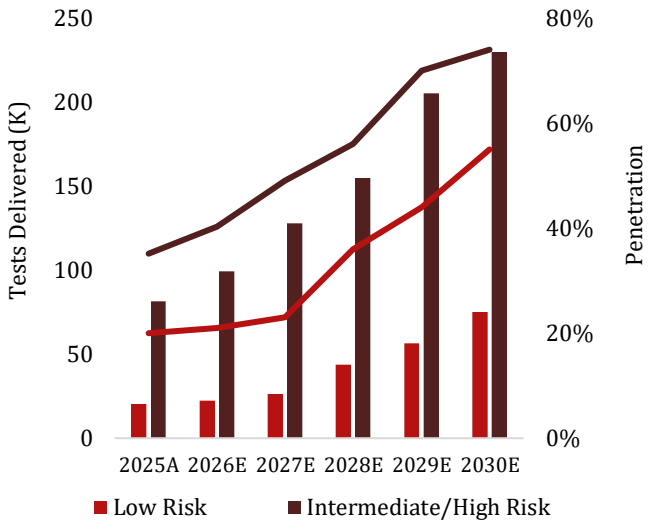
Sources: 10K, Investor Presentations, NCI/SEER, Fortune Business Insights

Decipher's Maturity & Revenue Deceleration Overstated

Following 2Q26 earnings, VCYT shares fell ~20% as investors focused on Decipher volume growth slowing to 17% versus prior >20% and management trimming FY volume guidance by ~1,000 tests. We believe the market is incorrectly extrapolating a temporary low-risk slowdown into a broader structural deterioration. Low-risk represents only ~20% of Decipher volume and is currently growing mid-single digits following its removal from NCCN low-risk recommendations, while the remaining ~80% of volume continues to grow ~20%. Management also reiterated that there is no evidence of share loss.

We believe Decipher remains significantly underpenetrated. Management estimates overall Decipher Prostate penetration at ~33% entering 2026 versus a long-term opportunity of ~80%+, while low-risk penetration is only ~20%. Importantly, U.S. prostate cancer incidence has been rising ~2.7–3.0% annually in recent years, while management expects Decipher's addressable patient pool to expand even faster, at a ~6% CAGR through 2030 to ~447,000 patients. Our build assumes low-risk penetration increases from 20% in 2025 to 52% by 2030 and intermediate/high-risk penetration rises from 35% to 69%, both still below management's framework. This drives Decipher volume from 102,000 tests in 2025 to 176,635 in 2028 versus consensus estimates of 156,000 tests. This brings our revenue from $311Mn to $565Mn, and eventually $783Mn in 2030.

Fig 5: Decipher Penetration & Tests Delivered



We also believe the NCCN is an evidence-gap issue rather than a negative read-through on Decipher. None of the three major prostate genomic classifiers met the Simon Level 1 requirement in low-risk disease, which requires prospective or prespecified validation using randomized trial populations rather than retrospective association alone. Historically, Decipher's positioning has improved as higher-quality evidence accumulated. NCCN expanded Decipher into unfavorable-intermediate / high-risk disease in 2020, and by 2024-25, it was the only gene-expression test with NCCN Level 1 evidence for localized treatment decisions. G-MAJOR is the key low-risk catalyst: it tests whether adding genomic-classifier results improves active-surveillance management. Positive data could directly address the clinical-utility evidence gap behind NCCN's removal and support renewed guideline inclusion beginning in 2027-28.

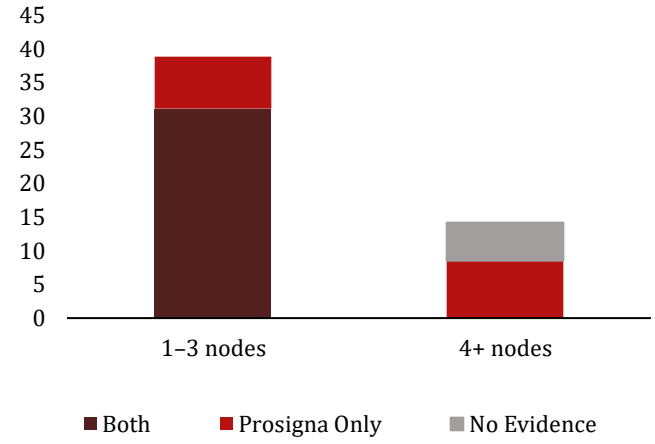
Our conviction is further supported by Decipher's evolution from a prognostic test into a treatment-selection tool. ENZAMET provided Level 1B evidence that Decipher can identify metastatic patients more likely to benefit from adding chemotherapy to hormone therapy, while NRG/RTOG 0815 provided additional predictive evidence in intermediate-risk disease. These data increase Decipher's clinical utility and support continued penetration in intermediate and high-risk patients, which remain the core growth engine at ~80% of volume.

Our thesis does not require Decipher to sustain >20% growth indefinitely. It requires only that the market recognize current deceleration reflects low-risk evidence and guideline dynamics rather than saturation. With substantial penetration runway remaining, expanding predictive utility, and intermediate/high-risk volumes still growing strongly, we believe the Street is underestimating Decipher's long-term revenue durability.

Sources: 10K, Earnings Transcripts, Needham, UBS, Morgan Stanley Healthcare Conference, NCI/SEER, NCNN

The Street underestimates Prosigna's adoption following the Phase III OPTIMA trial. Consensus models ~$10.8Mn of U.S. Prosigna revenue in FY27, implying ~4,300–6,100 tests, or ~2–3% of the ~225K eligible U.S. patients. With Oncotype DX entrenched in the genomic-testing market, the Street largely views Prosigna as a share-take product. We believe this overlooks a ~16K-patient annual U.S. opportunity where existing genomic tests lack guideline-backed evidence to guide chemotherapy omission, providing Prosigna a foothold before expanding into the broader market.

Fig 6: Node-Positive Patients by P-III Evidence (K)



OPTIMA randomized 4,429 patients aged 40+ with up to nine positive lymph nodes. Among the 68% classified as genomically low-risk, Prosigna-guided treatment met the trial's prespecified non-inferiority threshold for 5-year invasive breast cancer-free survival. Importantly, 37% of patients were premenopausal, with supportive subgroup findings among women receiving ovarian function suppression (HR 1.04) and patients with 4–9 positive nodes. This addresses limitations of Oncotype DX, which ASCO does not recommend for chemotherapy omission in premenopausal node-positive women following RxPONDER. ASCO also cites insufficient evidence for genomic testing in patients with ≥4 positive nodes. Of the ~225K eligible patients, ~7.8K are premenopausal with 1–3 positive nodes, while ~8.5K have 4–9 positive nodes and are aged 40+, creating a ~16K-patient potential testing opportunity where Prosigna does not initially need to displace a guideline-backed competitor.

We model whitespace penetration rising from 15% in FY27 to 25% by FY30, supported by early institutional adoption and potential guideline updates. This remains below Decipher's ~33% and Afirma's ~38% penetration, despite Prosigna entering an established genomic-testing workflow. The whitespace contributes ~4.3K tests and ~$10Mn by FY30, but the larger opportunity is the ~209K-patient established market, where we model penetration increasing from 1.9% to 6%. We expect oncologists to adopt Prosigna initially for higher-risk patients before expanding its use across broader populations. Management commentary suggests institutions are already considering broader adoption.

Reimbursement remains a key risk. Although the Prosigna kit has been Medicare-covered since 2015, Veracyte's centralized LDT requires separate MolDX coverage following a bridging assessment. Management has characterized this process as straightforward, supporting our assumption of coverage by early FY27. We model ~$1,770 collected per test in FY27, below the ~$2,500 list price, increasing to ~$2,260 by FY30 as commercial coverage expands. Prosigna also leverages Afirma's existing v2 platform, limiting incremental infrastructure costs and supporting attractive margins as volumes scale.

Our thesis requires only modest share gains in the established market, supported by Prosigna's initial adoption in underserved patients. We project ~6,500 tests and $11.5Mn of U.S. revenue in FY27, ~6.5% above consensus, reaching ~17.3K tests and $39.1Mn by FY30. This represents only ~7.7% of today's eligible patients. Each additional percentage point of penetration in the established market adds ~$4.9Mn of FY30 revenue. At our 5.5x exit multiple, FY30 Prosigna revenue implies ~$215Mn of illustrative enterprise value, or ~$2.70/share before discounting. With VCYT trading at ~4.3x FY27E EV/Sales, we believe the market underappreciates Prosigna's potential to become a third growth franchise alongside Decipher and Afirma.

Sources: 10-K, Earnings Transcripts, Bloomberg

Risks

Evidence Risk: If G-MAJOR and similar active-surveillance studies fail to demonstrate enough clinical utility to strengthen Decipher's NCCN recommendation, low-risk penetration would likely remain near current levels. This would reduce the volume reacceleration built into our 2028–2030 forecasts.

Prosigna Adoption Risk: If OPTIMA is not incorporated into major guidelines such as NCCN or ASCO, or payers limit coverage of the test, oncologists would likely continue using Oncotype DX, the current standard of care. This would reduce the share gains in our projections.

Reimbursement Risk: VCYT depends on stable Medicare and commercial rates for its tests. If CMS cuts rates or coverage tightens, average selling price could fall despite our projected volume gains, hurting our margin expansion estimates.

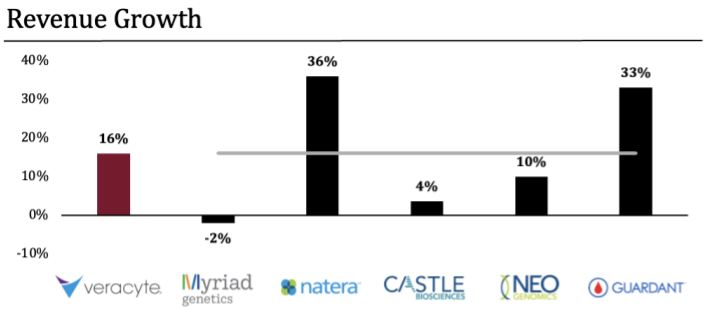
Sources: 10-K, Earnings Transcripts, Bloomberg

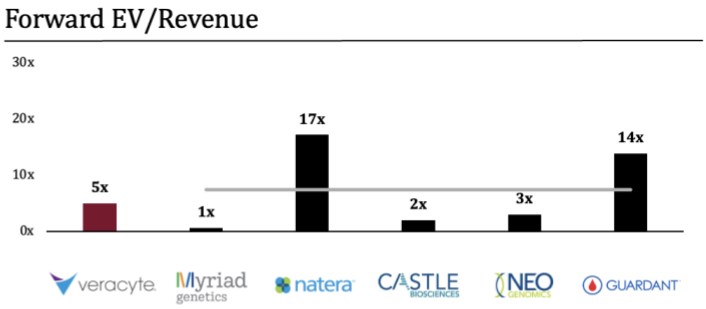
Comparable Companies

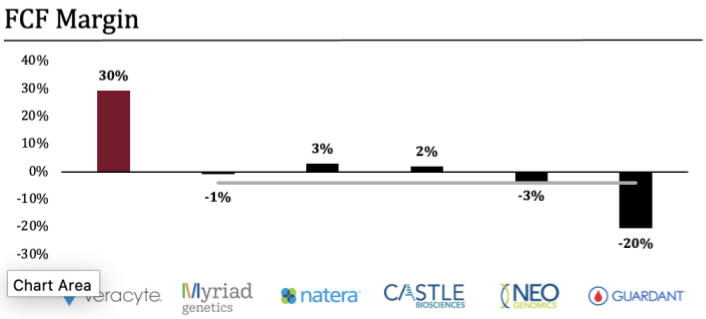
	Market Data		Valuation		Profitability				Revenue	
Company Name	Market Cap	Price as a % of 52 Week High	EV/Revenue	Forward EV/ Revenue	R&D % of Revenue	Gross Margin	Operating Margin	FCF Margin	Revenue Growth	FTM Revenue Growth
Myriad Genetics	$0.4Bn	53.0%	0.6x	0.7x	13.1%	69.9%	-6.1%	-0.9%	-2.0%	5.8%
Natera	$59.9Bn	97.5%	25.3x	17.3x	49.5%	64.8%	-13.4%	3.1%	35.9%	19.6%
Castle Biosciences	$1.1Bn	80.9%	2.4x	2.1x	15.5%	79.4%	-12.4%	1.9%	3.7%	10.3%
NeoGenomics	$2.4Bn	93.2%	3.5x	3.1x	5.0%	43.2%	-9.1%	-3.2%	10.1%	10.0%
Guardant Health	$24.2Bn	98.1%	24.8x	14.0x	31.8%	64.5%	-44.1%	-20.4%	33.0%	35.5%
Mean	$17.6Bn	84.5%	11.3x	7.4x	23.0%	64.3%	-17.0%	-3.9%	16.1%	16.2%
Median	$2.4Bn	93.2%	3.5x	3.1x	25.0%	63.2%	-19.2%	-4.5%	19.8%	18.3%
Veracyte	**$3.5Bn**	**75.6%**	**6.4x**	**5.1x**	**16.6%**	**70.1%**	**9.9%**	**29.5%**	**16.0%**	**10.8%**

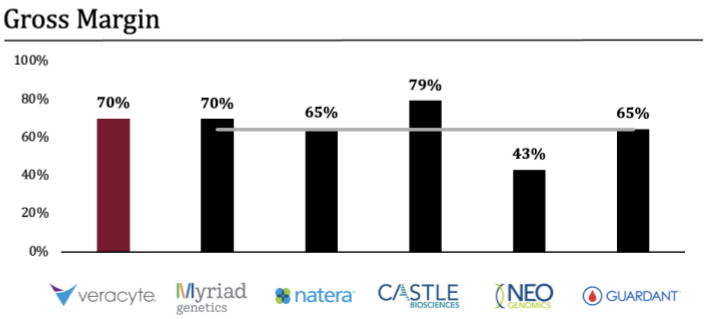
Commentary: We benchmarked Veracyte against a set of oncology diagnostics peers, evaluating current and forward EV/Revenue multiples alongside profitability and growth. VCYT operates at a 70.1% gross margin, above the peer mean of 64.3%, and is the only company in the group with meaningful profitability, posting a 29.5% FCF margin and 9.9% operating margin versus peer means of -3.9% and -17.0%. This demonstrates the durable unit economics that differentiate VCYT from its cash-burning peers.

Benchmarking









Sources: 10-K, Earnings Transcripts, Bloomberg

Valuation

Free Cash Flow Build	2026E	2027E	2028E	2029E	2030E
EBIT	81,305	102,838	121,314	181,252	219,501
(-) Tax Expense Adjustment	($3,004)	($8,074)	($12,098)	($35,147)	($53,503)
EBIAT	$78,301	$94,764	$109,216	$146,105	$165,998
(+) D&A	$19,498	$25,547	$31,150	$37,132	$41,158
(+) SBC	$49,574	$54,633	$66,782	$85,311	$94,538
(-) CapEx	($13,008)	($17,771)	($17,265)	($40,306)	($46,177)
(-) Changes in NWC	($11,217)	($9,449)	($11,642)	($15,850)	($14,080)
Future Free Cash Flow	**$123,148**	**$147,724**	**$178,243**	**$212,392**	**$241,438**
Time Until Cash Flow	*0.275*	*0.725*	*1.725*	*2.725*	*3.725*
Present Value Of Future Free Cash Flow	**$119,450**	**$136,316**	**$147,220**	**$157,018**	**$159,763**

Implied DCF Valuation - Exit Multiple	
Terminal Year Revenue	$1,251,660
(x) Revenue Multiple	5.0x
Terminal Value in Final Year	**$6,258,300**
Present Value of Terminal Value	$4,141,190
Present Value of Future Free Cash Flows	$719,767
Total Enterprise Value	**$4,860,957**
(-) Net Debt	$362,578
Equity Value	**$5,223,535**
Dilluted Shares Outstanding	80,573
Implied Share Price	**$64.83**
Current Price	$43.51
Implied Upside	*49.0%*

Cost of Equity	
Risk-Free Rate	5.2%
Beta	0.96
Expected Market Return	12.0%
CAPM	11.7%
Weighted Average Cost of Capital	**11.7%**
Bloomberg WACC	*14.4%*

Sensitivity Table - Implied Price						
		Exit Multiple				
		4.0x	4.5x	5.0x	5.5x	6.0x
WACC	13.7%	$51.62	$56.43	$61.24	$66.05	$70.86
	12.7%	$53.05	$58.03	$63.00	$67.97	$72.94
	11.7%	$54.55	$59.69	**$64.83**	$69.97	$75.11
	10.7%	$56.11	$61.42	$66.74	$72.05	$77.37
	9.7%	$57.74	$63.23	$68.73	$74.23	$79.73

Sensitivity Table - Implied Upside						
		Exit Multiple				
		4.0x	4.5x	5.0x	5.5x	6.0x
WACC	13.7%	18.6%	29.7%	40.7%	51.8%	62.9%
	12.7%	21.9%	33.4%	44.8%	56.2%	67.6%
	11.7%	25.4%	37.2%	**49.0%**	60.8%	72.6%
	10.7%	29.0%	41.2%	53.4%	65.6%	77.8%
	9.7%	32.7%	45.3%	58.0%	70.6%	83.2%

Commentary: We used a discounted cash flow model with a 5.0x exit EV/Revenue multiple for conservatism over the current 6.4x multiple (sell-side uses a 6-9x multiple). In our base case, we arrived at a share price of $64.83 and implied upside of 49.0%. Our base case reflects the scenario in which Decipher can continue to gain share while Prosigna delivers stronger-than-expected growth.

Sources: 10-K, Bloomberg

Appendix

Prosigna Revenue Build								
Eligible U.S Patients				225,000	227,250	229,523	231,818	234,136
% Growth					*1%*	*1.0%*	*1.0%*	*1.0%*
Whitespace Patients				16,300	16,528	16,760	16,994	17,232
% Growth					*1.4%*	*1.4%*	*1.4%*	*1.4%*
Whitespace Penetration %				*3.0%*	*15.0%*	*20.0%*	*23.0%*	*25.0%*
Rest of Eligible Patients				208,700	210,722	212,763	214,823	216,904
Rest-of-Market Penetration %				*0.2%*	*1.9%*	*3.0%*	*4.5%*	*6.0%*
Prosigna Tests				906	6,483	9,735	13,576	17,322
% Growth						*50.2%*	*39.5%*	*27.6%*
Penetration of Eligible Patiens				*0.4%*	*2.9%*	*4.2%*	*5.9%*	*7.4%*
Collected Revenue per Test ($)				480	1,770	2,075	2,195	2,255
% Growth						*17.2%*	*5.8%*	*2.7%*
Decipher Revenue Build								
Total prostate cancer TAM			334,000	354,040	375,282	397,799	421,667	446,967
Low-Risk % of TAM			30.5%	30.5%	30.5%	30.5%	30.5%	30.5%
Low-Risk TAM			101,870	107,982	114,461	121,329	128,609	136,325
Low-Risk Penetration			20%	21%	23%	36%	44%	55%
Low-Risk Tests Delivered			20,374	22,460	26,326	43,678	56,588	74,979
Intermediate/High TAM			232,130	246,058	260,821	276,471	293,059	310,642
Intermediate/High Penetration			35%	40%	49%	56%	70%	74%
Intermediate/High Tests Delivered			81,600	99,240	127,802	154,824	205,141	229,875
Total Decipher Tests	59,000	80,000	102,000	121,700	154,128	198,502	261,729	304,854
% Growth		*35.6%*	*27.5%*	*19.3%*	*26.6%*	*28.8%*	*31.9%*	*16.5%*
ASP / test	2.9	3.1	3.0	3.1	3.1	3.2	3.2	3.2
Decipher Revenue	**170,979**	**244,500**	**310,700**	**377,270**	**477,798**	**635,206**	**837,532**	**975,533**
% Growth		*43.0%*	*27.1%*	*21.4%*	*26.6%*	*32.9%*	*31.9%*	*16.5%*
Afirma Revenue	139,035	158,500	172,900	186,732	194,201	201,969	208,028	214,269
% Growth		*14.0%*	*9.1%*	*8.0%*	*4.0%*	*4.0%*	*3.0%*	*3.0%*
Other Testing Revenue	16,528	15,961	9,554	9,363	9,176	8,992	8,812	8,636
Product Revenue	15,588	13,650	14,327	13,070	13,100	12,990	12,910	13,720
Biopharma & Other Revenue	18,921	13,153	9,664	6,750	780	790	500	440
MEF VCYT Revenue	**361,051**	**445,764**	**517,145**	**593,620**	**706,530**	**880,147**	**1,097,582**	**1,251,660**
% Growth		*23.5%*	*16.0%*	*14.8%*	*19.0%*	*24.6%*	*24.7%*	*14.0%*
Prosigna as % of Revenue				0.1%	1.6%	2.3%	2.7%	3.1%
Prosigna as % of Incremental Revenue					9.8%	5.0%	4.4%	6.0%
Consensus Revenue	361,051	445,764	517,145	593,690	660,380	722,000	819,670	905,330
Consensus % Growth		*23.5%*	*16.0%*	*14.8%*	*11.2%*	*9.3%*	*13.5%*	*10.5%*
MEF vs. Consensus				0.0%	7.0%	21.9%	33.9%	38.3%

Sources: 10-K, Earnings Transcripts, Bloomberg