TEMPUS

Q3 2024 Overview

Our hope in writing these quarterly letters is to provide you a summary of our financial and operating results, along with some context as to how we view those results, as it relates to both the near and long term.

Our Revenues in Q3 2024 were $180.9 million versus $136.1 million in Q3 2023, an increase of 33.0% on a year-over-year basis. Our Genomics business delivered $116.4 million of revenue in Q3 2024 versus $96.8 million in Q3 2023, an increase of 20.3% year-over-year. Our Data & Services business delivered $64.5 million of revenue in Q3 2024 versus $39.2 million in Q3 2023, an increase of 64.4% year-over-year.

We delivered Non-GAAP Gross Profit of $107.9 million, or 59.6%, in Q3 2024 versus $74.0 million in Q3 2023, an increase of 45.8% year-over-year. Our Genomics business had 49.3% Non-GAAP gross margin and our Data & Services had 78.3% Non-GAAP gross margin. In the aggregate our Non-GAAP gross margin was 520 basis points higher than the same quarter last year.

Our Non-GAAP Operating Expenses were $139.3 million in Q3 2024 versus $118.8 in Q3 2023, an increase of $20.5 million year-over year.

Our Adjusted EBITDA was ($21.8) million in Q3 2024 versus ($36.2) million in Q3 2023 and ($31.2) million in Q2 2024, an improvement of $14.4 million year-over-year and $9.3 million quarter-over-quarter.

Revenues came in largely as we expected, Non-GAAP Gross Profit was a bit ahead of where we expected related to our continued momentum in Data & Services performance, and our Non-GAAP Operating Expenses were largely in line with our expectations, resulting in continued improvement in Adjusted EBITDA, which bodes well for our near-term goal to be adjusted EBITDA and free cash flow positive.

Overall, the business is performing well.

<u>Genomics</u>

We ran ~69,000 NGS tests, excluding MRD, in Q3 2024 versus ~66,500 last quarter and ~55,700 in Q3 2023. Our year-over-year growth in volume was 23.9%, which was a 360 basis point improvement over last quarter and a sign that our genomic offering continues to gain traction in the market. Our revenue growth was slightly lower, at 20.3%, largely due to one

time cash collections in Q3 of last year for appeals of denied claims from previous years. We expect our 2024 growth rates in Genomics, on both a unit and revenue basis, to be in the 25-30% range. Our goal is to maintain similar growth rates, as such we are operating squarely within the range of what we consider optimal.

All of our main assays performed well in the quarter with consistent growth in solid tumor profiling and liquid biopsies, and even more pronounced growth in hereditary screening. Over the past year, we migrated a significant percentage of our inherited cancer testing to Ambry Genetics, as our primary reference lab. We're thrilled to announce that we have entered into an agreement to acquire Ambry, with the transaction expected to close in early 2025. I'll try and provide some color as to why we decided to acquire them and how they fit into our larger strategy.

First, we don't take large acquisitions lightly; we actually have a bias against them. Over the past 9 years we have come to know and admire a few companies in our space - Ambry is one of them.

We've been able to watch them grow and mature as a business. Over the past few years, their hereditary cancer portfolio has become best in class, which has led to their recent acceleration of revenues and market share gains. In addition, their product line is uniquely situated to allow for our expansion into rare disorders, pediatrics, cardiology, and other areas. Finally, their focus on scale and efficiency allowed them to achieve something that is very rare in our space - a genomics business with revenues growing at more than 25% that is also generating positive adjusted EBITDA and free cash flow. Upon closing the transaction, we too expect to join this club going forward on a consolidated annual basis.

As it relates to the strategic fit for Tempus, we aspire to bring AI to healthcare through intelligent diagnostics - starting with genomics, starting with cancer. Ambry both rounds out our portfolio by giving us a full suite of assets for hereditary cancer screening, while also allowing us to expand into new disease areas. With Ambry, we expand our leading molecular sequencing portfolio, which is instrumental in a world that will more and more be influenced by molecular insights. In addition, we believe Ambry's scale and their product line will allow us to build new data products that our biotech and pharma clients are interested in, as well as expand our applications business given that Ambry tends to connect with patients earlier in their healthcare journey. As such, we expect Ambry to be catalytic across all of our products - genomics, data, and apps.

Our businesses are also highly synergistic. For example, in the future Ambry might find a patient who is a BRCA carrier. With Tempus, we might deploy algorithms to monitor the

patient. To the extent they develop cancer, Tempus can perform comprehensive genomic profiling to help with therapy selection. We can also monitor them through our minimal residual disease (MRD) and monitoring assays. Finally, all of the data that is central to this patient's journey can be de-identified and licensed to biopharma to design better trials or make better drugs.

Diagnostics are central to how we help people live longer and healthier lives, cradle to grave, across all diseases. Ambry expands our diagnostic capabilities.

Before we move on from Genomics, I wanted to provide a brief update on our MRD and monitoring offering. As a reminder, we launched our MRD product suite, with our own tumor naive assay in CRC, and a tumor informed assay in partnership with Personalis targeting lung cancer, breast cancer, and IO response. Our products have been well received, with demand far outpacing supply until we establish reimbursement. Of note, we did make an investment in Personalis in the quarter, which both gave us additional tests to offer and greater ownership, as we now own ~19% of Personalis on a fully diluted basis.

With the investments in Ambry and Personalis, we have rounded out our genomic capabilities and feel like we're in an ideal position going forward.

Data

Our Data and Services business experienced accelerated growth in the quarter, delivering $64.5 million in revenue versus $39.2 million in Q3 2023, up 64.4% year-over-year, largely driven by our Insights business (Data Licensing), which not only grew faster than our Services business (Clinical Trials), but also had higher Non-GAAP gross margin of 84.0% for the quarter. We ended the quarter with >$900 million in total remaining contract value.

Notably, we signed an agreement with BioNtech to identify enriched TCRs across selected antigens for drug development. When we sequence patients we generate enormous amounts of TCR & BCR data, (~40mm TCR/BCR's to date), which we have yet to license. This was the first of what we hope are many big deals in this space. In addition, we signed a 3 year extension with Merck EMD at the culmination of our last 3 year strategic agreement. It's always nice when big clients renew and expand, another sign of health for our data business.

Apps

As a reminder, our Apps product line primarily consists of 3 main products and we made progress on all during the quarter:

NEXT: We signed another agreement with a large pharma partner to deploy NEXT, our product that leverages AI to identify care gaps and help close them in an automated manner. In this case, we are looking for HER2 low patients that have not received immunohistochemistry staining that might qualify them for an antibody drug conjugate (ADC).

TIME: We continued to make progress with TIME, our product that leverages AI to identify patients that might be fit for clinical trials in a just-in-time manner. We signed a strategic partnership agreement with One Oncology, one of the largest community practices in the US, to help deploy TIME throughout their provider network. We believe these types of partnerships could be catalytic for TIME.

ALGOS: We continued to validate and deploy a wide range of purely algorithmic diagnostics in the quarter. We now have dozens of Algos in the market at various stages across oncology, cardiology, radiology, and pathology.

While we made progress in the quarter throughout our entire Apps product line, as I have repeatedly said, we are still in the early stage of scaling this business and it will take time before Apps has a material impact on our financials, in large part because the US healthcare system hasn't yet fully figured out how to reimburse for AI diagnostics. I believe one day they will, as AI is just too important to improving outcomes, and we're uniquely positioned to benefit when they do.

Before I conclude, I did want to highlight one additional achievement in Q3 - we launched our first consumer application, Olivia. The app allows patients to seamlessly connect with all of their healthcare providers, large and small, and bring in all of their healthcare data, not just some of it. We use our technology platform, which was designed to harmonize vast amounts of multimodal healthcare data, to help patients ingest lab results, physician notes, pathology slides, radiology scans, etc. In addition, our generative AI Agent "One" allows patients to interrogate their clinical data, ask questions, prepare for visits, track their symptoms, and more. Olivia has the potential to be transformative for so many patients, which would warm my heart as the App was named for a remarkable 19 year old friend of my daughter who lost her battle with kidney cancer a few years ago.

Financials

We were pleased with our performance in the quarter, demonstrating our ability to continue to grow each of our product lines, expand margins, and continue our path towards profitability on an adjusted EBITDA basis.

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Similar to last quarter, we are providing each of gross profit, gross margin, and operating expenses on a Non-GAAP basis to exclude stock compensation expense and related payroll taxes so they are comparable with prior periods. See "Non-GAAP Financial Measures" below.

Third Quarter 2024 Financial Results

	Three months ended September 30, 2024		
	2024	2023	Change
	(in thousands, except per share figures)		
GAAP Results			
Revenue	$ 180,929	$ 136,057	33.0%
Genomics gross margin	48.4%	51.9%	NM(1)
Data and services gross margin	76.8%	60.5%	NM(1)
Operating expenses	$ 159,455	$ 118,816	NM(1)
Net loss	$ (75,840)	$ (53,426)	NM(1)
Non-GAAP Results			
Non-GAAP Genomics gross margin	49.3%	51.9%	(260 bps)
Non-GAAP Data and services gross margin	78.3%	60.5%	1780 bps
Non-GAAP Operating Expenses	$ 139,284	$ 118,816	17.2%
Adjusted EBITDA	$ (21,843)	$ (36,206)	39.7%

(1) Not meaningful due to the impact of including stock compensation expense and related employer payroll taxes

Revenue

Our revenues were $180.9 million, representing 33.0% year-over-year growth.

Our Genomics revenues were $116.4 million, representing 20.3% year-over-year growth. The growth was largely driven by 23.9% volume growth in our clinical oncology business, excluding MRD, and continued improvement in our average reimbursement per clinical oncology report - which was approximately $1,530 in the quarter, representing a slight increase quarter-over-quarter. We continue to make progress with commercial payors, signing in-network contracts with BCBS Illinois, Avalon, and Blue Shield of California over the past several months to cover all of our therapy selection and inherited germline assays (xT, xR, xF/xF+, xG/xG+). Additionally, our ADLT pricing process continues to progress well. As a reminder, we are targeting $4,500 and will begin migrating xT volume to the ADLT version in January after the pricing process is completed.

As Eric mentioned, our Genomics' revenue growth lagged our clinical oncology unit growth due to cash collections in Q3 of last year for appeals of denied claims from previous years. Our growth rate was also compressed by a decrease year-over-year in genotyping revenue from our Atlanta lab. Years ago, we acquired a small genotyping business that gave us multi-omic capabilities. While some of these have been integrated into our main oncology offering, others such as the work they do for the VA health system are stand-alone. This business, like our CRO business, has a lower margin profile and is not an area of growth we are focused on at present.

Our Data and Services revenues were $64.5 million, representing 64.4% year-over-year growth, largely driven by strong growth in our Insights (data licensing) business - which grew 86.6% year-over-year. This growth is largely the result of us delivering on contracts that have been signed over the past twelve months, adding new customers and expanding relationships with customers already on the platform - as we did with Merck EMD in Q3. While we don't anticipate the Insights business continuing to grow at its current pace, we're excited with the continued adoption of our products and services as it demonstrates the power of the database we have amassed and the technology platform we have built over the last nine years.

Gross Profit

We generated $105.8 million of gross profit in the quarter. Non-GAAP gross profit was $107.9 million, representing an aggregate Non-GAAP gross margin of 59.6%. This was a 520 basis point improvement year-over-year, largely the result of growth in our Data and Services product line which operates at a higher margin.

Our Non-GAAP gross margin for our Genomics business was 49.3% compared to 51.9% in Q3 2023. The decrease is a result of one-time cash payments received in Q3 2023 relating to appeals on denied claims from prior years. Average cost per clinical oncology report was $767

for the quarter, compared to $746 in Q2 2024, largely driven by continued adoption of our xF+ offering. Our Non-GAAP gross margin for the Data and Services business was 78.3%, compared to 60.5% in Q3 2023, again highlighting the year-over-year growth in the Insights business.

Operating Expenses

Operating expenses for the quarter were $159.5 million - including stock-based compensation and related employer payroll taxes of $20.2 million. Non-GAAP operating expenses were $139.3 million, representing an increase of 17.2% year-over-year. Our expenses are broken down into three categories: Non-GAAP Technology, was $26.6 million, Non-GAAP Research and Development, was $24.6 million, and Non-GAAP Selling General and Administrative expense was $88.1 million.

The year-over-year increases in Non-GAAP operating expenses were largely driven by increases in the salesforce related to expanding territories to account for growth in overall testing volume and the launch of our MRD assays, along with modest investments in R&D and Technology R&D. We held our headcount relatively flat quarter over quarter, which allowed us to demonstrate additional operating leverage.

Adjusted EBITDA and Net Loss

Adjusted EBITDA for the quarter was ($21.8) million, compared to ($36.2) million in Q3 2023 and ($31.2) million in Q2 2024, an improvement of $14.4 million year-over-year and $9.3 million quarter-over-quarter. We plan on continuing to evaluate the level of investment we make in the business based on increases in gross profit dollars, such that we anticipate continued improvement in adjusted EBITDA, with the near term goal of being adjusted EBITDA positive.

Net loss for the quarter was ($75.8) million, including stock compensation and related taxes of approximately $22.2 million. Adjusting for stock compensation, related taxes and other non-operating items, Non-GAAP net loss for the quarter was ($42.0) million.

We finished the quarter with ~$466.3 million of cash, cash equivalents, and marketable securities, compared with ~$490.1 million at the end of Q2 2024. Cash generated by operating activities was $48.7 million in Q3 2024, driven in large part by the prepayment for the data and IP licenses with the Softbank joint venture. Excluding the joint venture, our operating cash flow was ($46.4) million, which was a $50.7 million improvement over last

quarter. Cash used in investing activities includes the $95.2 million investment in the JV and the $36.2 million investment in Personalis.

Guidance

We continue to expect to finish the year with approximately $700 million in Revenue, and approximately ($105 million) in Adjusted EBITDA. Given the unique nature of our business it's difficult to predict these numbers with complete accuracy; as such, the word approximately implies a modest range. By way of example, we would consider $693 million to be squarely within that range as that would mean we were 99% accurate in forecasting our revenues for the year.

We anticipate one-time transaction costs of approximately $5 million in Q4 2024 related to the Ambry acquisition and stock compensation and related employer payroll tax expense of approximately $36 million in Q4 2024.

As it relates to Tempus and Ambry, and our views on a consolidated basis, we are still finalizing our forecasts for 2025. That said, we have provided some additional color in our investor deck, which can be found at investors.tempus.com

Thanks for your support and for joining on this journey,

Eric & Jim

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Forward Looking Statements

This letter contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, about Tempus AI, Inc. ("Tempus") and Tempus' industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this letter are forward-looking statements, including, but not limited to, Tempus' expected financial results for full year 2024; Ambry's expected financial results for [calendar] year 2024; the contributions of Tempus' research and findings to the larger scientific community and the use of Tempus' products and services to advance clinical care for patients. In some cases, you can identify forward-looking statements because they contain words such as "anticipate," "believe," "contemplate," "continue," "could," "estimate," "expect," "going to," "intend," "may," "plan," "potential," "predict," "project," "should," "target," "will," or "would" or the negative of these words or other similar terms or expressions. Tempus cautions you that the foregoing may not include all of the forward-looking statements made in this letter.

You should not rely on forward-looking statements as predictions of future events. Tempus has based the forward-looking statements contained in this letter primarily on its current expectations and projections about future events and trends that it believes may affect Tempus' business, financial condition, results of operations and prospects. These forward-looking statements are subject to risks and uncertainties related to: the intended use of Tempus' products and services; Tempus' financial performance; the ability to attract and retain customers and partners; managing Tempus' growth and future expenses; competition and new market entrants; compliance with new laws, regulations and executive actions, including any evolving regulations in the artificial intelligence space; the ability to maintain, protect and enhance Tempus' intellectual property; the ability to attract and retain qualified team members and key personnel; the ability to repay or refinance outstanding debt, or to access additional financing; future acquisitions, divestitures or investments, including our ability to consummate the acquisition of Ambry Genetics on the terms described herein or at all, and, if consummated, to realize the expected benefits of such acquisition; the potential adverse impact of climate change, natural disasters, health epidemics, macroeconomic conditions, and war or other armed conflict, as well as risks, uncertainties, and other factors described in the section titled "Risk Factors" in Tempus' Form 10-Q for the quarter ended June 30, 2024 filed with the Securities and Exchange Commission ("SEC") on August 6, 2024, as well as in other filings Tempus may make with the SEC in the future, including its Quarterly Report on Form 10-Q for the quarter ended September 30, 2024. In addition, any forward-looking statements contained in this letter are based on assumptions that Tempus believes to be reasonable as of this date. Tempus undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date of this letter or to

reflect new information or the occurrence of unanticipated events, except as required by law.

Non-GAAP Financial Measures

In addition to the financial information presented in accordance with accounting principles generally accepted in the United States of America (GAAP), Tempus also presents adjusted EBITDA, non-GAAP gross profit, non-GAAP gross margin and non-GAAP operating expenses (collectively, the "non-GAAP financial measures"). For definitions of each of these non-GAAP financial measures, as well as reconciliation of each non-GAAP financial measure to its most comparable GAAP financial measure, please see the section titled "Non-GAAP Financial Measures" in Tempus' third quarter earnings release and the tables accompanying such release, which can be found on Tempus' investor relations website at this link. Tempus does not provide guidance for net loss, the most directly comparable GAAP measure to Adjusted EBITDA, and similarly cannot provide a reconciliation between its forecasted Adjusted EBITDA and net loss without unreasonable effort due to the unavailability of reliable estimates for certain components of net income and the respective reconciliations. These forecasted items are not within Tempus' control, may vary greatly between periods and could significantly impact future financial results.