TEMPUS

Q4 and Full Year 2024 Overview

Our goal 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 Q4 2024 were $200.7 million versus $147.7 million in Q4 2023, an increase of 35.8% on a year-over-year basis. Our Genomics business delivered $120.4 million of revenue in Q4 2024 versus $92.2 million in Q4 2023, an increase of 30.6% year-over-year. Our Data & Services business delivered $80.2 million of revenue in Q4 2024 versus $55.5 million in Q4 2023, an increase of 44.6% year-over-year.

We delivered Non-GAAP Gross Profit of $124.2 million, or Non-GAAP gross margin of 61.9%, in Q4 2024 versus $81.5 million, or 55.2% in Q4 2023, an increase of 52.3% year-over-year. Our Genomics business had 49.6% Non-GAAP gross margin and our Data & Services had 80.3% Non-GAAP gross margin. In the aggregate our Non-GAAP gross margin was 670 basis points higher than the same quarter last year.

Our Non-GAAP Operating Expenses were $142.5 million in Q4 2024 versus $133.8 million in Q4 2023, an increase of $8.6 million year-over year.

Our Adjusted EBITDA was ($7.8) million in Q4 2024 versus ($35.1) million in Q4 2023 and ($21.8) million in Q3 2024, an improvement of $27.4 million year-over-year and $14.1 million quarter-over-quarter.

2024 revenue reached ~99% of our expectations. Non-GAAP Gross Profit was in line with our expectation as a result of continued momentum in Genomics and Data, despite some softness in our lower margin service business (CRO). Non-GAAP Operating Expenses were largely in line with our expectations, resulting in continued improvement in adjusted EBITDA that was ahead of our expectations, which we believe bodes well for our near-term goal to be adjusted EBITDA and free cash flow positive.

Overall, the business is performing well with revenues growing, margins continuing to improve, and our costs remaining in line, allowing us to demonstrate significant operating leverage.

<u>Genomics</u>

We ran ~72,500 NGS tests in Q4 2024 versus ~69,100 last quarter and ~59,200 in Q4 2023. Our overall genomics revenue growth was 30.6%, as a result of improvements in ASP, while our

year-over-year unit growth was 22.5%. Unit growth picked up throughout the back half of the year as our sales force found its “sea legs”, which we believe sets us up well for the coming year. We expect our annual 2025 growth rates in Genomics - excluding Ambry, on both a unit and revenue basis, to be in the 20-30% range, while some quarters may be higher or lower based on quarterly nuances. We also expect to benefit from near term ASP tailwinds in 2025, which Jim will cover in the financial section below.

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 and MRD (although MRD is off a very small base and will not scale significantly until we and/or Personalis obtain reimbursement, which we expect toward the end of 2025). With the completion of the Ambry acquisition, we will break our Genomics metric reporting into two categories: (1) Genomics units and ASP, which will include our historic therapy selection (CGP), hereditary screening, and MRD and monitoring - primarily sold to oncologists and (2) Genetic units and ASP, which will include Ambry’s volume and ASPs - primarily sold to genetic counselors. We will eventually migrate our hereditary screening business into Genetics reporting, but in the near term we will keep things the same for continuity until the businesses are more integrated.

As it relates to Ambry’s full year 2024 results, their revenues in 2024 were $315 million, representing approximately 30% growth year-over-year. It’s worth noting that Ambry benefited in 2024 from improved reimbursement and volume tailwinds related to some of its competitors that drove enhanced growth in 2024. Their Non-GAAP gross margin was 66.8% in 2024 and their Adjusted EBITDA was $51.0 million.

We couldn’t be more excited to have the Ambry team join our family. As I mentioned last quarter, their hereditary cancer portfolio has become best in class, which has led to their recent acceleration of revenue growth and market share gains. In addition, their product line is uniquely situated to allow for our expansion into rare disorders, pediatrics, cardiology, and other 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 product line will allow us to build new data products that our biotech and pharma clients need, 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.

A few other notable highlights in the quarter. We announced our first Whole Genome based assay, xH, which is focused on hematology and will hit the market later this year. We intend this to be the beginning of our migration from panels to whole genome sequencing, eventually

across all of our assays, which we expect to manage without a material impact on our revenues or margins, as we will reinvest the savings we achieve through more efficient sequencing to our eventual migration to whole genome profiling .

We also launched our new Immune Profile Score (IPS) test in the quarter. This test is groundbreaking in that it builds upon the conventional test (tumor mutational burden or TMB), to determine whether a patient is likely to respond to a checkpoint inhibitor, and augments that biomarker with RNA based signatures and our own molecular algorithms that allow us to produce a far more granular, and we believe accurate, picture of which patients will and won't respond to immunotherapy. With the abstract we released at the SITC conference in November, we believe IPS could help us identify ~30,000 additional patients who might benefit from IO therapy that are currently not being treated.

Finally, we went live with the first phase of the national launch of our xT-CDx assay in January. We anticipate our Medicare ADLT rate to be a tailwind for our ASPs in 2025, as our FDA approved assay replaces the LTD version in the market. Jim will discuss the phasing of that below.

Our Genomics business has now reached a size and scale that is unique among our peers. As we approach a million patients being tested annually, instead of resting on our laurels, we plan to continue to invest in the areas that will make our tests more intelligent and more personalized over time, further distancing ourselves from others. AI is an accelerant to these efforts, one that could be so profound, even we are trying to understand its implications.

Data

Our Data and Services business experienced strong growth in the quarter, delivering $80.2 million in revenue versus $55.5 million in Q4 2023, up 44.6% year-over-year, largely driven by our Insights business (Data Licensing), which grew 66.2% in Q4. Overall Data and services gross margins were 79.5%.

In the quarter, we signed a large data agreement with Boehringer Ingelheim, who is using our data for biomarker development and novel discovery efforts, and with Illumina, who is using our data to improve aspects of their research and development. Finally, we had a pick-up in the quarter, related to the accounting treatment of AstraZeneca's warrant expiring - we had been discounting the data we were providing to AstraZeneca and when the warrant lapsed, the discount lapsed with it, allowing us to recapture the discount we had been accruing. We also had a large data delivery of near similar size that we expected to go out in Q4 slip into early 2025.

So all in, with put and takes, our data business continues to hum along; performing well throughout the year. Not only did we sign agreements with Novartis, BioNTech, Merck EMD, Takeda, Astellas, Illumina, and United Therapeutics, we ended the quarter with >$940 million in total remaining contract value, an increase from Q3 and year end 2023. Given our size, ending the year with a higher total remaining contract value than when we started is a clear indication that our data products are resonating. It's also the reason our net revenue retention skyrocketed to 140% in 2024. While we are incredibly proud that our clients on average spent 40% more with us than they did the year before, we recognize this statistic is likely to come down over time, as anything north of 100% is a win.

Apps

As a reminder, our Apps product line primarily consists of applications that we build and deploy through our connected network of ~3,000 sites. While we made progress across all of our main products (Next - closing care gaps in real time, Time - matching patients to trials in real time, and Algos - deploying purely algorithmic diagnostics in real time), I want to focus on the latter.

One of our Algos, ECG-AF, is an FDA approved algorithm that runs on top of a standard 12-lead electrocardiogram (ECG) and is designed to predict undiagnosed atrial fibrillation (AFIB). The algorithm, like many in our portfolio, has proven the ability to find patients who are on the wrong therapeutic path. But up until now, these types of AI based algorithms were not reimbursed and so deploying them was not economically feasible. This quarter, the Centers for Medicare and Medicaid Services (CMS), announced that they will allow reimbursement to providers for cardiac dysfunction assessments using the Tempus ECG-AF algorithm, currently paying $138/algorithm.

That's a big deal.

First, there are tens of millions of patients who could and would benefit from these types of algorithms. Second, this is one of the first use cases where the government has recognized that paying for AI-enabled diagnostics makes sense. At $138/algorithm, even if we (or others) run these tests tens of millions of times, it still makes sense whether you want to measure ROI based on quality of life improved, number of deaths avoided, or simply cost reduction to the US healthcare system. Finding a problem early, when the damage done is small and often repairable - makes sense.

That is the promise of AI enabled diagnostics.

Given our scale and the breadth of our platform, we can deploy these types of algorithms to approximately 3,000 sites in the US, who are connected to us in some way. As more and more of these tests get the reimbursement they deserve, we believe we're uniquely positioned to benefit (along with patients).

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 toward our goal of being adjusted EBITDA positive.

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.

Fourth Quarter 2024 Financial Results

	Three months ended December 31,		
	2024	2023	Change
	(in thousands, except percentages) (unaudited)		
GAAP Results			
Revenue	$ 200,680	$ 147,724	35.8%
Genomics gross margin	48.4%	45.4%	NM(1)
Data and services gross margin	79.5%	71.5%	NM(1)
Operating expenses	$ 172,764	$ 133,843	NM(1)
Net loss	$ (13,014)	$ (50,483)	NM(1)
Non-GAAP Results			
Non-GAAP Genomics gross margin	49.6%	45.4%	420 bps
Non-GAAP Data and services gross margin	80.3%	71.5%	880 bps

Non-GAAP Operating Expenses	$ 142,492	$ 133,843	6.5%
Adjusted EBITDA	$ ($7,752)	$ (35,124)	77.9%

Full Year 2024 Financial Results

	Twelve months ended December 31,		
	2024	2023	Change
	(in thousands, except percentages) (unaudited)		
GAAP Results			
Revenue	$ 693,398	$ 531,822	30.4%
Genomics gross margin	46.1%	47.9%	NM(1)
Data and services gross margin	71.5%	66.5%	NM(1)
Operating expenses	$ 1,072,195	$ 482,258	NM(1)
Net loss	$ (705,809)	$ (214,118)	NM(1)
Non-GAAP Results			
Non-GAAP Genomics gross margin	49.2%	47.9%	130 bps
Non-GAAP Data and services gross margin	75.2%	66.5%	870 bps
Non-GAAP Operating Expenses	$ 547,488	$ 482,258	13.5%
Adjusted EBITDA	$ (104,707)	$ (154,222)	32.1%

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

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Revenue

Our Q4 revenues were $200.7 million, representing 35.8% year-over-year growth.

Our Q4 Genomics revenues were $120.4 million, representing 30.6% year-over-year growth. The growth was largely driven by our clinical oncology business, where revenues grew 35.1% year-over-year on 22.5% volume growth and improvement in our average reimbursement per clinical oncology report - which was $1,530 in the quarter. Similar to last quarter, the overall Genomics' year-over-year growth rate was compressed by a decrease year-over-year in genotyping revenue from our Atlanta lab. To provide some context, revenues from the genotyping business were approximately $6.0 million lower in 2024 compared to 2023. Given genotyping is a low margin business and not core to our intelligent diagnostic platform, we are not investing in attempting to grow this business given its minimal impact to our overall results.

Our Q4 Data and Services revenues were $80.2 million, representing 44.6% year-over-year growth, largely driven by strong growth in our Insights (data licensing) business - which grew 66.2% 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 Boehringer Ingelheim in Q4. We also recognized additional revenue associated with our AstraZeneca strategic collaboration when the warrants that we issued in 2021 expired. The value of the warrants was previously being amortized as a discount (contra-revenue). The strength in the Insights business was partially offset by softness in Compass, our CRO, which primarily serves biotech and saw a $5.5 million decline in revenue in 2024 compared to 2023. Similar to our genotyping business, our CRO is relatively low margin when compared to our Insights business and not a significant area of focus in our work with our data clients.

Overall, we were very pleased with how 2024 ended, with full year revenues of $693.4 million, representing 30.4% year-over-year growth - despite approximately $11.5 million year-over-year decline in our non-core offerings. Our core businesses, Clinical Oncology and Insights (Data Licensing) continued to experience significant growth. Clinical oncology revenues increased 28.3% year-over-year on 23.8% volume growth and increases in ASP, all while lapping one-time cash collections of approximately $12 million in 2023. Adjusting for these one-time collections, Clinical Oncology experienced approximately 33.7% year-over-year growth. Insights (Data Licensing) experienced 58.8% year-over-year revenue growth and ended the year with a total remaining contract value of $940 million, highlighting the strength of our bookings throughout the year.

Gross Profit

We generated $122.1 million of gross profit in the quarter. Non-GAAP gross profit was $124.2 million in Q4, representing an aggregate Non-GAAP gross margin of 61.9%. This was a 670 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 49.6% in the quarter compared to 45.4% in Q4 2023. The increase is a result of higher average reimbursement per clinical oncology report. Average cost per clinical oncology report was $751 for the quarter, compared to $767 in Q3 2024, largely driven by efficiencies in our labs. Our Non-GAAP gross margin for the Data and Services business was 80.3%, compared to 71.5% in Q4 2023, again highlighting the year-over-year growth in the Insights business.

For the full year, we generated $381.1 million of gross profit. Non-GAAP gross profit was $404.1 million, representing an aggregate Non-GAAP gross margin of 58.3%. This was a 450 basis point improvement year-over-year, largely the result of growth in our Data and Services product line.

Operating Expenses

Operating expenses for the quarter were $172.8 million - including stock-based compensation and related employer payroll taxes of $30.3 million. Non-GAAP operating expenses were $142.5 million in the quarter, representing an increase of 6.5% year-over-year. Our expenses are broken down into three categories: Non-GAAP Technology expense, was $26.4 million, Non-GAAP Research and Development expense, was $26.0 million, and Non-GAAP Selling General and Administrative expense was $90.0 million.

Our investments can largely be broken down into three groups - people, technology & cloud, and R&D. In 2024, we made progress on reducing our historic ramp in hiring as we had forward invested in prior years. That said, a portion of the year-over-year increases in Non-GAAP operating expenses was 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 increases in our technology and R&D staff. We improved the efficiency of cloud and compute infrastructure, allowing us to get more output at similar spend levels. Our R&D investments were higher in the year compared to 2023, which we expect to continue into 2025, as we continue to ramp up the investments we're making in our Genomics' portfolio to support adoption, reimbursement and new assays.

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Adjusted EBITDA and Net Loss

Adjusted EBITDA for the quarter was ($7.8) million, compared to ($35.1) million in Q4 2023 and ($21.8) million in Q3 2024, an improvement of $27.4 million year-over-year and $14.1 million over Q3 2024. For the full year, our Adjusted EBITDA was ($104.7) million, compared to ($154.2) million in 2023. 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 ($13.0) million, including stock compensation and related taxes of approximately $32.4 million. Adjusting for stock compensation, related taxes and other non-operating items, Non-GAAP net loss for the quarter was ($29.7) million.

We finished the quarter with ~$448.3 million of cash, cash equivalents, and marketable securities, compared with ~$466.3 million at the end of Q3 2024.

We also extended our current agreement with Google through February 2030, allowing us to continue to take advantage of our current discount structure and extend the maturity of our note with Google for another 5 years. As you may recall, a portion of the annual spend reduces the principal balance of the note, so this extension allows us to continue capturing that benefit.

Guidance

As a result of our recent performance, we are increasing our guidance and now expect to finish 2025 with approximately $1.24 billion in revenue, and approximately $5 million in Adjusted EBITDA.

These estimates are inclusive of ~11 months of Ambry, from the date we closed the transaction on February 3, 2025. We also expect Ambry's growth to be lower in 2025 as they lap their outperformance in 2024.

Similar to 2024, we expect quarterly revenues will increase throughout the year. We anticipate approximately 20% of our annual revenue guidance will be recognized in Q1. 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.

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We also wanted to provide a reimbursement update as it relates to our xT CDx and xF assays. xT CDx completed the CMS pricing process in November and the price was confirmed at $4,500 (compared to the $2,989 that CMS reimburses for the LDT version). We have begun migrating volume to the ADLT version and anticipate approximately 20% of our xT volume will be migrated by the end of Q1, increasing to approximately 40% by year end. The code applicable to our xF assay was also going through the CMS gap fill process during 2024, with the rate being finalized at $3,288 (compared to the $2,919 at which CMS was previously reimbursing the code). Both of these developments should provide us with reimbursement tailwinds in 2025.

Lastly, we anticipate stock compensation and related taxes of approximately $130 million in 2025, with 25% being recognized in Q1.

Thanks for your support and for joining on this journey,

Eric & Jim

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 2025 and the quarters thereof; expectations concerning the growth of Tempus' business, including the contributions of Ambry to Tempus' business and financial results;; the impact of pricing and reimbursement actions on Tempus' financial results; 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-K for the year ended December 31, 2024, filed with the Securities and Exchange Commission ("SEC) on February 24, 2025, as well as in other filings Tempus may make with the SEC in the future, 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' fourth 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.