



Natera, Inc.

Q2 2018 Earnings Call

August 8, 2018



Safe harbor

This presentation contains forward-looking statements. All statements other than statements of historical facts contained in this presentation, including statements regarding the market opportunity, products, commercial partners, user experience, clinical trials, financial performance, strategies, anticipated future performance and general business conditions of Natera, Inc. ("Natera", the "Company", "we" or "us"), are forward-looking statements. These forward-looking statements are subject to known and unknown risks and uncertainties that may cause actual results to differ materially, including: we face numerous uncertainties and challenges in achieving the financial guidance provided; we may be unable to further increase the use and adoption of Panorama, through our direct sales efforts or through our laboratory partners, or to develop and successfully commercialize new products, including our cancer products; we have incurred losses since our inception and we anticipate that we will continue to incur losses for the foreseeable future; our quarterly results may fluctuate significantly; our estimates of market opportunity and forecasts of market growth may prove to be inaccurate, and even if the market in which we compete achieves the forecasted growth, our business could fail to grow at similar rates; we may be unable to compete successfully with either existing or future prenatal testing or oncology diagnostic products or other test methods; we may not be successful in commercializing our cloud-based distribution model; our products may not perform as expected; the results of our clinical studies may not support the use of our tests, particularly in the average-risk pregnancy population or for microdeletions screening, or may not be able to be replicated in later studies required for regulatory approvals or clearances; if our sole CLIA-certified laboratory facility becomes inoperable, we will be unable to perform our tests and our business will be harmed; we rely on a limited number of suppliers or, in some cases, single suppliers, for some of our laboratory instruments and materials and may not be able to find replacements or immediately transition to alternative suppliers; if we are unable to successfully scale our operations, our business could suffer; our cord blood and tissue banking activities are subject to regulations that may impose significant costs and restrictions on us; the marketing, sale, and use of Panorama and our other products could result in substantial damages arising from product liability or professional liability claims that exceed our resources; we may be unable to expand third-party payer coverage and reimbursement for Panorama and our other tests, and we may be required to refund reimbursements already received; third-party payers may withdraw coverage or provide lower levels of reimbursement due to changing policies, billing complexities or other factors, such as the increased focus by third-party payers on requiring that prior authorization be obtained prior to conducting a test; if the FDA were to begin actively regulating our tests, we could incur substantial costs and delays associated with trying to obtain premarket clearance or approval and incur costs associated with complying with post-market controls; we could be subject to third party claims of intellectual property infringement, which could result in litigation or other proceedings and could limit our ability to commercialize our products or services; and any failure to obtain, maintain, and enforce our intellectual property rights could impair our ability to protect our proprietary technology and our brand. We discuss these and other risks and uncertainties in greater detail in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Form 10-Q for the quarter ended June 30, 2018. Further information on potential risks that could affect actual results will be included in other filings we make with the SEC from time to time. Given these uncertainties, you should not place undue reliance on the forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this presentation may not occur and actual results could differ materially and adversely from those anticipated or implied. Except as required by law, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this presentation to conform these statements to actual results or to changes in our expectations. We file reports, proxy statements, and other information with the SEC. Such reports, proxy statements, and other information concerning us can be read and copied at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549 or on the Internet at <http://www.sec.gov>. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. Our common stock is listed on the NASDAQ Global Select Market, and these reports, proxy statements and other information are also available for inspection at the offices of the NASDAQ Stock Market, Inc. located at 1735 K Street, NW, Washington, D.C. 20006. We will provide without charge upon written or oral request a copy of any or all of the documents that are incorporated by reference into this prospectus, other than exhibits which are specifically incorporated by reference into such documents. Requests should be directed to our Investor Relations department at Natera, Inc., 201 Industrial Road, Suite 410, San Carlos, California 94070. Our telephone number is (650) 249-9090.



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Recent highlights



- **Processed 162,807 tests in Q2 2018, 29% growth vs. Q2 2017**

- Panorama®: approximately 113,300 tests processed, 27% growth YoY
- Horizon™: approximately 41,800 tests accessioned, 36% growth YoY



- **Total revenues of \$63.1M in Q2 2018, up 21% from Q2 2017**



- **Announced development of powerful kidney transplant rejection marker**

- Study with UCSF demonstrated superior performance of mmPCR technology for detecting acute rejection in kidney transplant patients



- **Successful completion of \$97.3M follow-on equity offering**



- **Published clinical validation of of new fetal fraction- based risk biomarker for pregnancies**

- Extends leadership position in NIPT by identifying aneuploidies and adverse outcomes that other tests do not



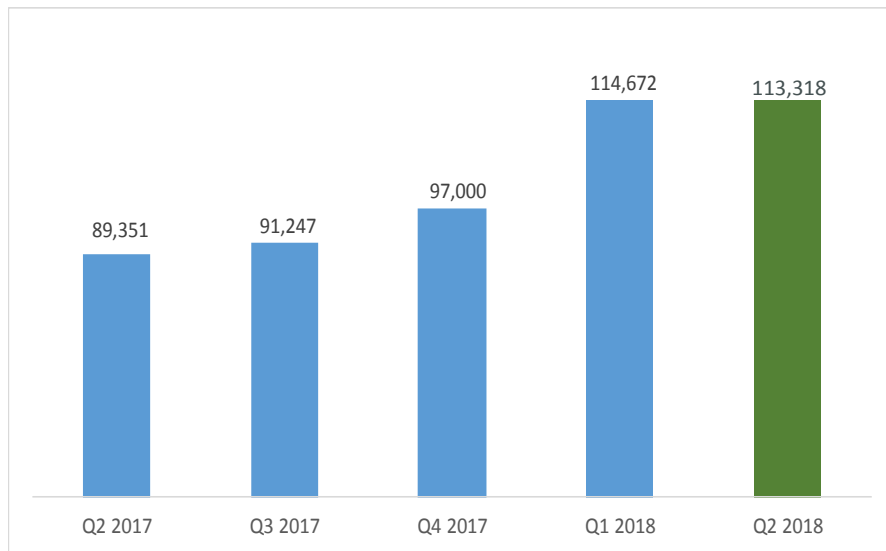
- **20 pilot studies signed with leading pharmaceutical companies for Signatera™ (RUO)**

- Dr. Roy Baynes joins Natera Board of Directors
- Announced successful breast cancer recurrence trial with University of Leicester & Imperial College London

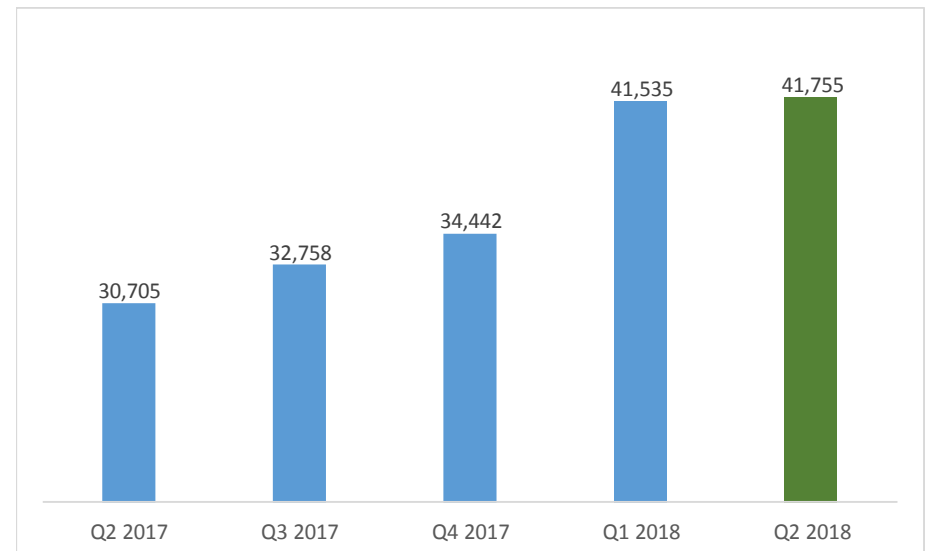
Driving growth in core products



Processed Units



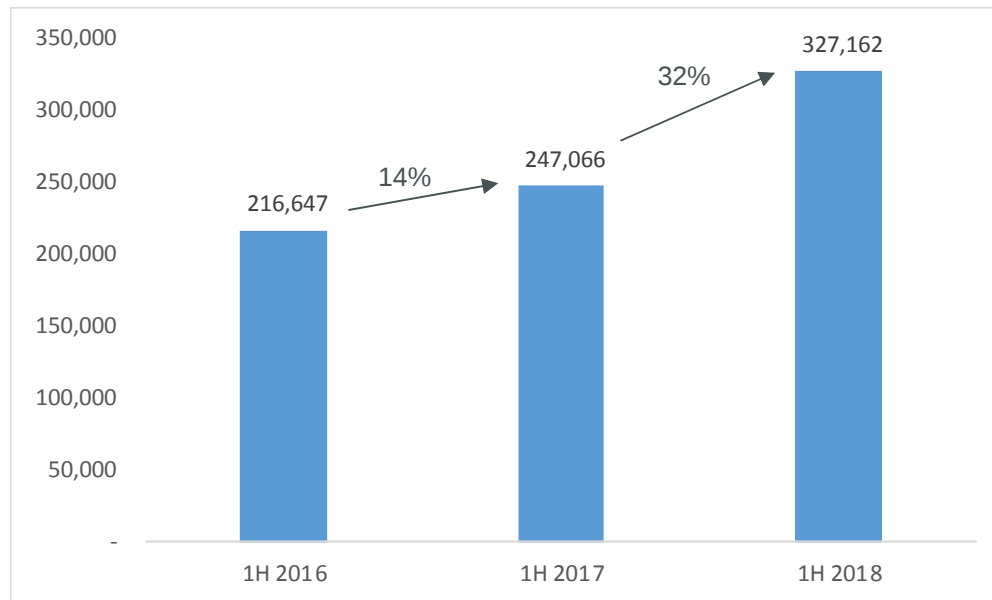
Accessioned Units



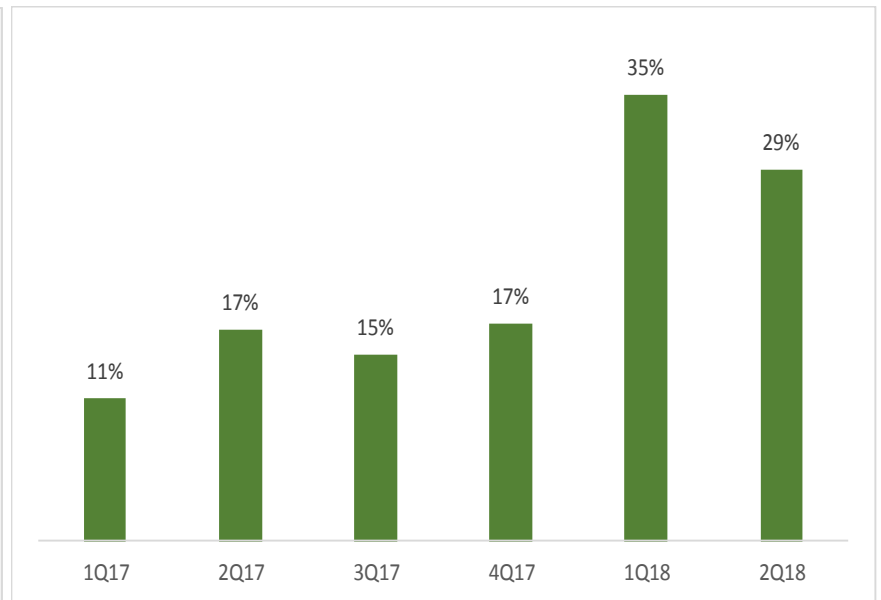
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2018 growth = 2 x 2017 growth

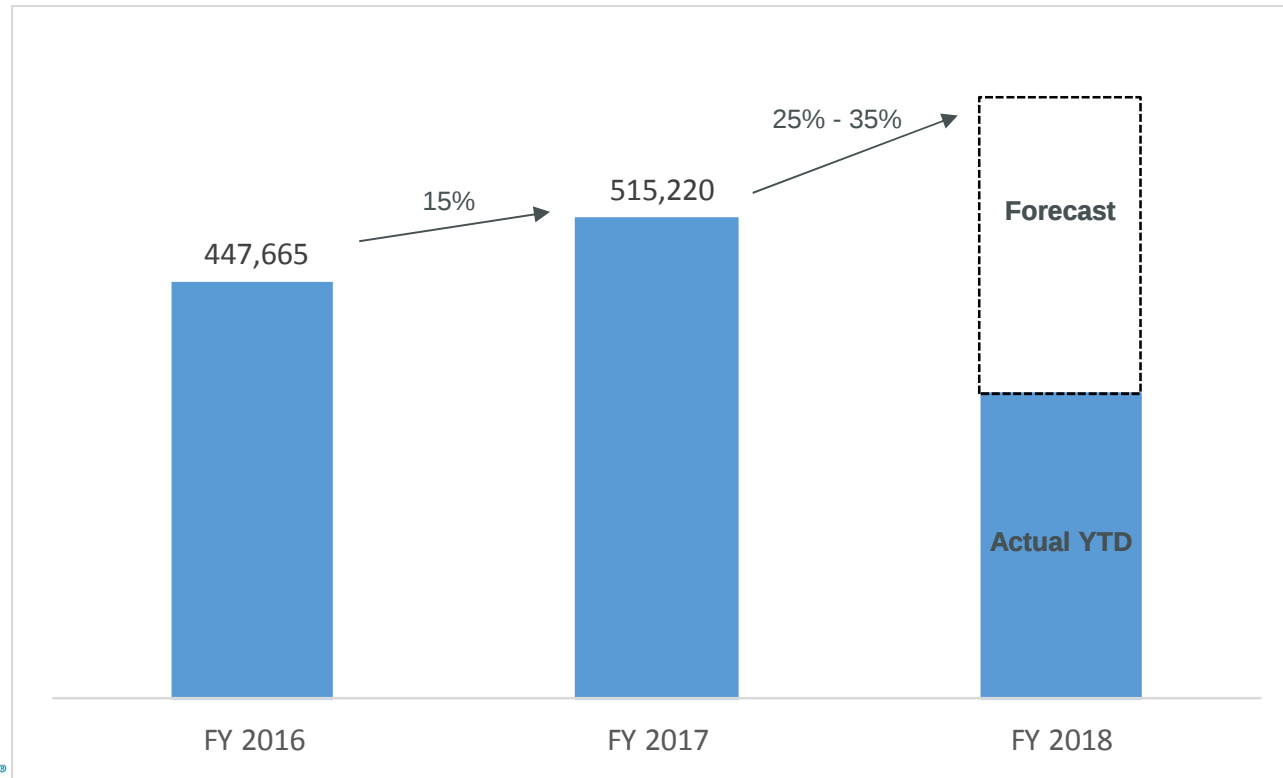
Total Processed Units



Total Processed Units: % growth over prior year



2018 growth forecasted to remain strong through the rest of the year



ACOG Removed Guideline which Limited NIPT



The American College of
Obstetricians and Gynecologists
WOMEN'S HEALTH CARE PHYSICIANS

COMMITTEE OPINION

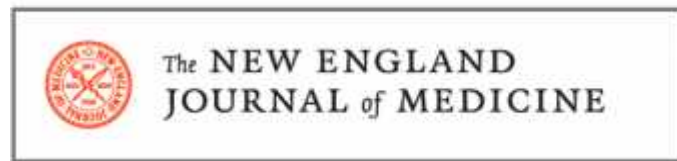
LIST OF TITLES — JULY 2018

Committee Opinions are intended to provide timely information on controversial issues, ethical concerns, and emerging approaches to clinical management. They represent the considered views of the sponsoring committee based on interpretation of published data in peer-reviewed journals. Committee Opinions are reviewed periodically for continued relevance or needed update. Also listed are Technology Assessments, which provide an overview of technology in obstetrics and gynecology, Patient Safety Checklists, and Obstetric Care Consensus documents.

The following titles have been withdrawn from circulation:

- 640 Cell-free DNA Screening for Fetal Aneuploidy
- ▲ 2 Inpatient Induction of Labor
- ▲ 7 Magnesium Sulfate Before Anticipated Preterm Birth for Neuroprotection
- ▲ 8 Appropriateness of Trial of Labor After Previous Cesarean Delivery (Antepartum Period)
- ▲ 9 Trial of Labor After Previous Cesarean Delivery (Intrapartum Admission)

NEJM article reviewing NIPT



FRONTIERS IN MEDICINE

Sequencing of Circulating Cell-free DNA during Pregnancy

Diana W. Bianchi, M.D., and Rossa W.K. Chiu, M.B., B.S., Ph.D.

"...in the general obstetrical population... the false positive rates associated with cfDNA screening were less than one tenth as high as that with multiple-marker screening, and positive predictive values were significantly higher."

"... it is prudent to assess the fetal fraction in a sample ... Not all laboratories, however, routinely measure or report the fetal fraction."

"In less than a decade, prenatal cfDNA testing has gone from small, proof-of-principle studies to a global transformation of prenatal care."

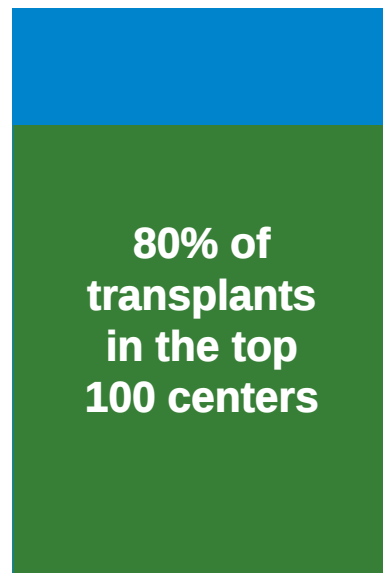
Discovery of new FFBR biomarker for pregnancies



- Extends leadership position in NIPT by identifying aneuploidies and adverse outcomes that other tests do not
- First key application leveraging data on > 1M samples for biomarker research
- Leverages patented technology for precise fetal fraction estimation with algorithm incorporating maternal weight and gestational age
- Application to adverse outcomes will be further evaluated in the 20k patient SMART trial

Commercialization plan for transplant assay

~20,000 transplants annually



U.S. Kidney Transplants

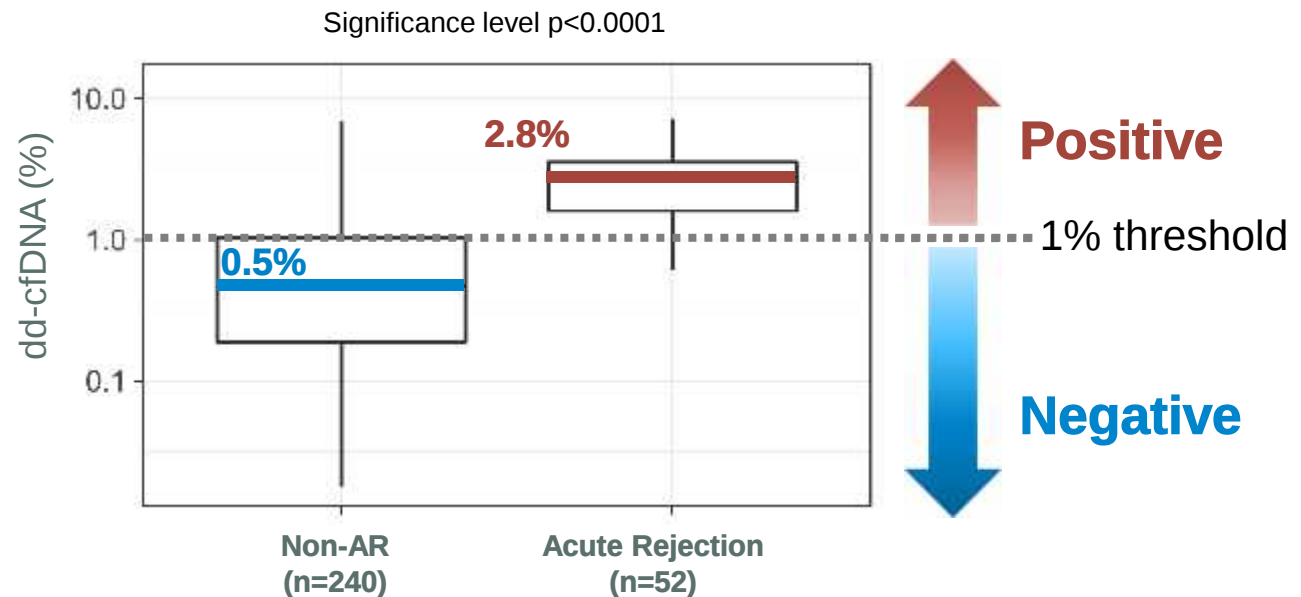
- Natera scale and experience with NGS testing provides COGS advantage
- History of winning as fast follower with technical superiority
- Robust user experience
- Access to technology via Constellation™ platform

Levels of donor DNA significantly higher in patients suffering acute rejection

Sensitivity:
92.3%

Specificity:
72.9%

**Area Under
Curve (AUC):**
0.90



> 95% of positive results had clinically meaningful findings

Transplant reimbursement pathway

- Submit analytical validation
- Submit clinical validation
- Complete CLIA validation
- Pre-submission meeting



Current Activities

- Obtain Z-code
- Analytical validation accepted
- Clinical validation accepted
- Formal LCD submission



2018 / 2019

- Draft Local Coverage Decision release
- Establish coding and pricing
- Final LCD published



2019

Multiple avenues to stable reimbursement

Option 1: Miscellaneous code with z-code modifier

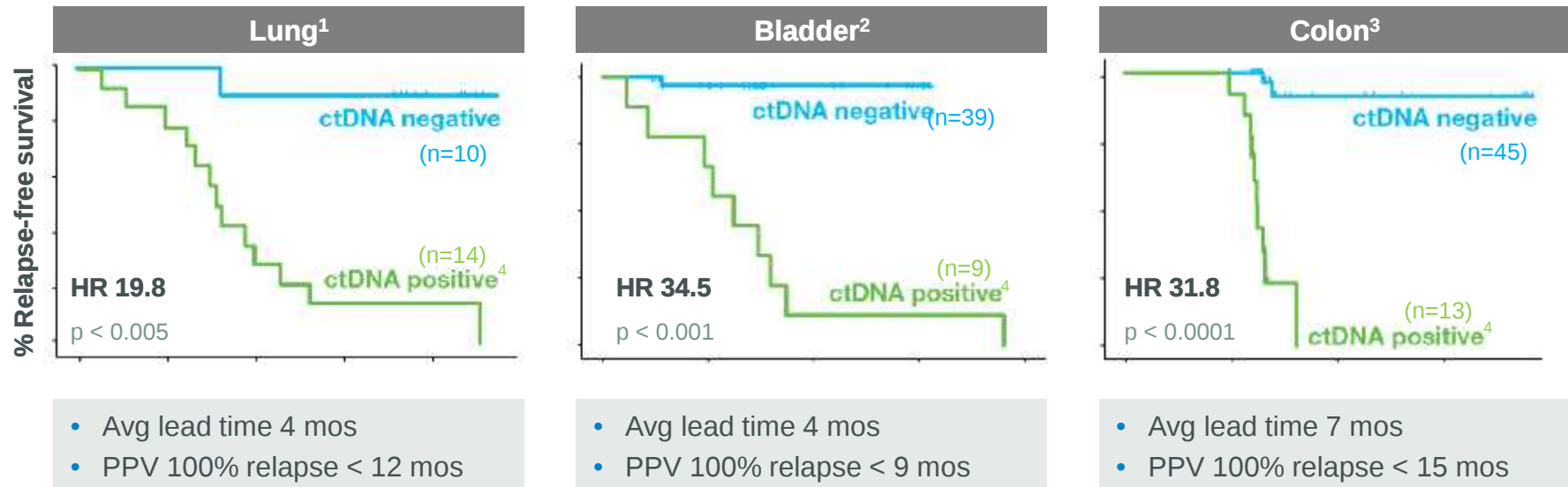
- Pricing established by MoIDX

Option 2: PLA code

- Pricing established on clinical lab fee schedule, e.g. cross walk process
- If off cycle, pricing established by MoIDX
- Repriced through PAMA

Signatera™(RUO) highly consistent across tumor types

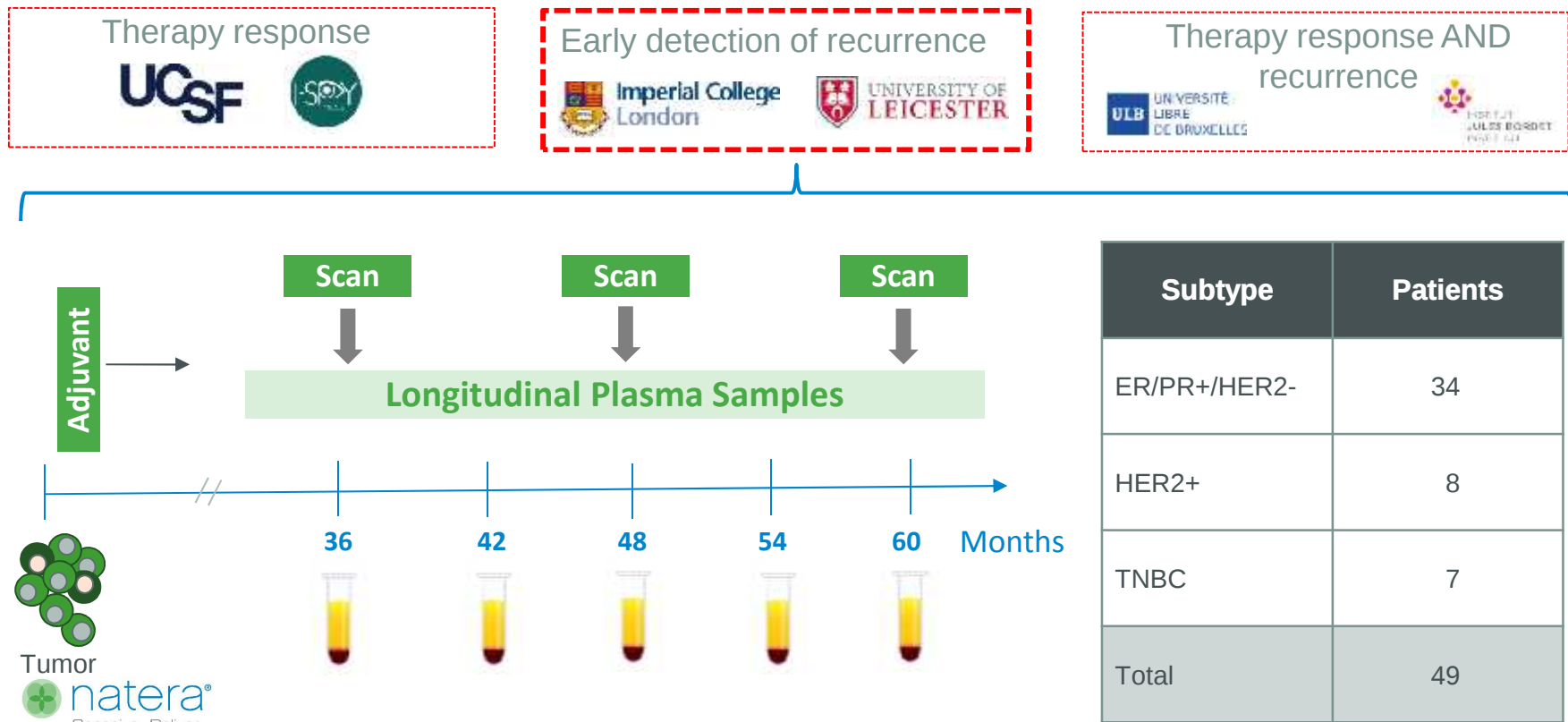
Positive result after treatment has always led to relapse



¹RFS post treatment. Abbosh C, et al. Nature. 2017 Apr 26;545(7655):446-451; ²RFS post cystectomy. Birkenkamp-Demtroeder K, et al. AACR; 2018. Abstract nr 3653.; ³RFS post ACT treatment. Andersen C, et al. AACR; 2018 Abstract nr 1590. ⁴Positive at any time point at or before clinical relapse

Similar results in breast cancer post-treatment setting

Study completed - two additional trials ongoing



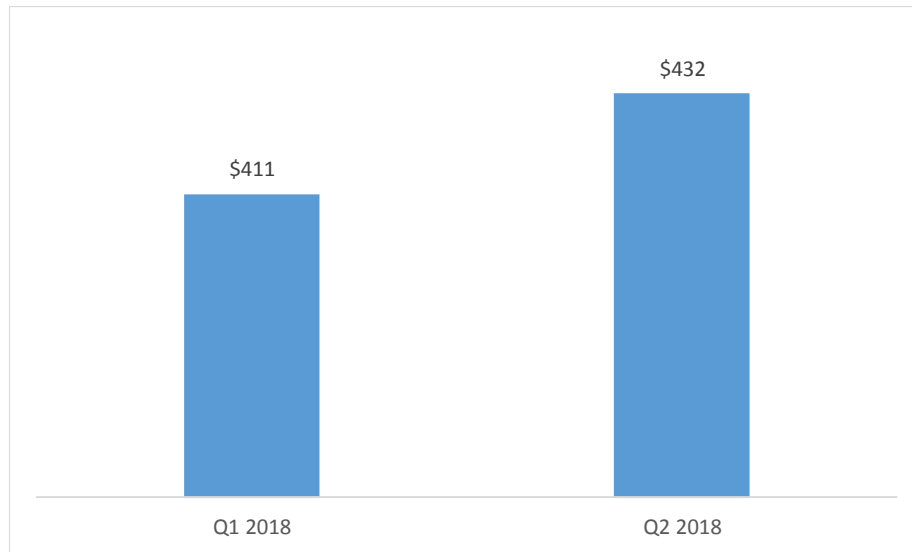
Continued uptake of Signatera™ (RUO)



- 20 signed pilot studies with leading pharma and immuno-oncology companies
- Study indications include: lung, colorectal, breast, prostate, non-hodgkins lymphoma, GI tumors, multiple myeloma, pan-cancer
- On track for CLIA launch early 2019

Average selling prices stable as expected

Total revenues / tests reported*



Pricing drivers going forward

- Multi-year, fixed price payer contracts
- Increasing average risk NIPT coverage
- Increasing coverage for microdeletions
- Broader Medicaid coverage

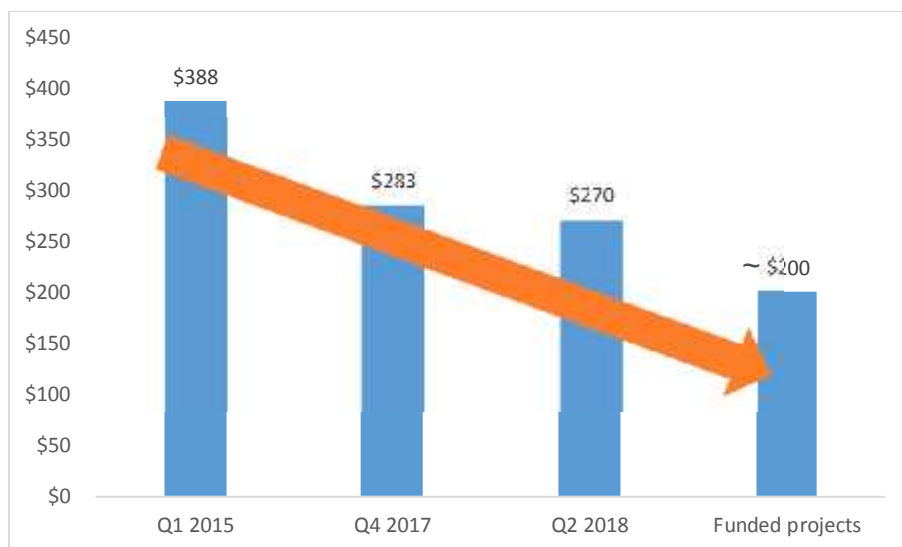
*Q1 2018 pricing excludes one-time revenue recognition of \$5.5M from Qiagen partnership



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Blended COGS targets driving strong returns

Blended COGS Trajectory



\$118 savings per unit X
610,000 tests / year
=
\$72M annual savings

~68% ROIC
on all R&D spend
since Q1 2015

Q2 2018 financial overview

Growth in Panorama and Horizon volumes is primary driver of change vs Q2 2017

(\$ in millions, except for per share data)

P&L	Q2'18	Q2'17	Change
Horizon Revenue	\$ 21.4	\$ 16.5	\$ 4.9
Panorama Revenue	\$ 35.7	\$ 31.5	\$ 4.2
Total Revenue	\$ 63.1	\$ 52.3	\$ 10.8
Gross Margin% ¹	35%	34%	100 bps
R&D	\$ 11.9	\$ 11.8	\$ 0.1
SG&A	\$ 37.4	\$ 34.3	\$ 3.1
Net Loss Per Diluted Share	\$(0.62)	\$(0.55)	\$(0.07)

Balance Sheet	Jun 30, 2018	Mar 31, 2018	Change
Cash & Investments ²	\$ 186.5	\$ 119.7	\$66.8
UBS Line of Credit	\$ 50.1	\$ 50.1	\$ --
OrbiMed Debt Facility	\$ 73.2	\$ 73.1	\$ 0.1



1. Gross margin is calculated as gross profit divided by GAAP total revenues. Gross profit is calculated as GAAP total revenues less GAAP cost of revenues.

2. Cash and investments include short-term and long-term restricted cash, and \$97.3 million net proceeds from Natera's July 2018 equity offering on a pro forma basis.

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2018 guidance unchanged

(\$ in millions)	
Revenue	\$250 - \$275
Gross Margin % revenue	35% - 40%
SG&A	\$140 - \$150
R&D	\$50 - \$55
Cash Burn	\$40 - \$60

