Emily:

Thank you. Good afternoon, everyone, and welcome to Genomic Health's conference call to review our first quarter 2019 financial results.

Joining me today to make prepared remarks are:

- Kim Popovits, our Chairman of the Board, Chief Executive Officer and President; and
- Brad Cole, our Chief Financial Officer.

Additionally:

Fred Pla, our Chief Operating Officer, and Rick Baehner, our Chief Medical Officer, will be available during Q&A at the end of the call.

Please note, a copy of the prepared remarks we are about to make is available to download on the Investors section of our corporate website, genomichealth.com, and a reconciliation of non-GAAP numbers referenced in these remarks can be found in our first quarter earnings press release.

Before we begin, I'd like to remind you that some of the information presented today may contain projections or other forward-looking statements regarding future events or the future financial performance of the company. These statements are based on management's current expectations, and the actual events or results may differ materially and adversely from these expectations. We refer you to our most recent annual report on Form 10-K, and quarterly report on Form 10-Q, as filed with the SEC, in particular, to the section titled Risk Factors, for additional information on factors that could cause actual results to

differ materially from our current expectations. These forward-looking statements speak only as of the date hereof, and we disclaim any obligation to update these forward-looking statements.

I'll now turn the call over to Kim.

Kim:

Thanks, Emily. Good afternoon, everyone, and welcome.

In the first quarter of 2019, we delivered 108.8 million dollars in revenue – or growth of 17.4 percent – and 13 million dollars in profit driven by significant growth across all key product areas.

These strong results are based, in part, on the impact of the landmark TAILORx trial results, which are continuing to drive increased Oncotype DX Breast Recurrence Score® test usage globally. We also continued to generate further adoption and private reimbursement for our prostate cancer tests.

I'd like to take a moment to highlight the important accomplishments across our key product areas that drove this quarter's performance, positioning us for double-digit revenue growth for the year.

In our core invasive breast cancer business, the practice-changing TAILORx trial results are continuing to elevate Oncotype DX to a new global standard of care, with increasing traction among physicians with high-growth potential to use Oncotype DX more consistently for all medically eligible patients. With this definitive evidence, it has never been as clear which patients need chemotherapy based on Oncotype DX. Following the rollout of our new test report and physician campaign in December, we recently launched a digital advertising campaign targeting underpenetrated U.S. markets with a branded message encouraging patients to "*Put Chemo to the Test™ with Oncotype DX*."

In March, at the St. Gallen International Breast Cancer Conference in Vienna, we presented results from five studies including real-world evidence that reinforces the treatment paradigm established by the TAILORx trial. Data from decision

impact studies was also presented, highlighting the value of Oncotype DX in personalizing and improving the quality of clinical decisions for patients with early-stage breast cancer, including those with node positive disease. We expect these new data, which are based on results from thousands of patients in the U.S. and Europe, will support increased uptake globally as they further reinforce the value of Oncotype DX testing. And on the reimbursement front, with IQWiG's exclusive recommendation for Oncotype DX, we continue to anticipate a final national coverage decision in Germany in the second quarter.

Turning now to our urology franchise, we have two market-leading prostate cancer tests that represent a growth opportunity greater than 500 million dollars. Multiple private insurers established new coverage for the Oncotype DX® Genomic Prostate Score®, or GPS™, test during the first quarter, bringing the total number of U.S. covered lives to more than 114 million, including Medicare.

We also made progress securing additional reimbursement for the Oncotype DX AR-V7 Nucleus Detect™ test, building on the Medicare coverage that was established in December. During the first quarter, we secured coverage from our first private payor, bringing the total number of U.S. covered lives to more than 61 million. Importantly, in April, NCCN strengthened its prostate cancer guidelines recommending the consideration of AR-V7 testing in metastatic castrate resistant prostate cancer patients following initial treatment with abiraterone or enzalutamide to help guide the selection of further therapy.

Finally, we are continuing to advance the development of a sample-to-answer IVD offering of the Oncotype DX breast cancer test on the Idylla™ platform. We

plan to place this unique and differentiated system at clinical validation sites in France and Germany in the second half of 2019.

I will now turn the call over to Brad to provide further detail on our first quarter financial results.

Brad:

Thanks, Kim.

We are off to a very strong start in 2019 with double-digit growth in both revenue and tests delivered in the first quarter compared to last year. We delivered double-digit revenue growth for all key product areas and strong profit for the quarter, marking our 15th consecutive quarter of improved non-GAAP profitability.

Total revenue was 108.8 million dollars for the quarter, an increase of more than 17 percent, compared with total revenue of 92.6 million dollars for the first quarter of 2018. On a non-GAAP constant currency basis, total revenue for the quarter grew 18 percent compared to last year.

Net income for the quarter was 13 million dollars or earning per share of 34 cents on a diluted basis, an improvement of 16.8 million dollars, compared with a net loss of 3.8 million dollars for the same period in 2018.

Our gross margin rate was 84.4 percent for the quarter and is consistent with our expectations for the full year of 2019.

In the first quarter, we delivered more than 37,580 Oncotype DX tests, an increase of 16 percent compared to a year ago. This strong test growth reflects performance across our business. Notably, both our international and U.S. GPS product areas increased 28 percent and 25 percent, respectively, compared to the first quarter of last year. Our GPS product area was lifted by contributions from our urology salesforce expansion and strengthened guidelines compared to a year ago.

Before walking you through the revenue results across each of our key product areas, I want to point out that the increased revenue recognition rates in our revenue portfolios in the second half of 2018 positively impacted revenue comparisons by approximately 3 percent in the first quarter of 2019. Without these positive changes to our revenue portfolios, revenue growth would have been approximately 14 percent, at the high-end of our revenue guidance for 2019.

- U.S. invasive breast cancer revenue was 79.8 million dollars for the quarter, an increase of 12.5 percent, compared to revenue of 71 million dollars for the same period in 2018. The increase to revenue portfolios from late in 2018 impacted the revenue comparison by approximately 4 percent for the first quarter of 2019. Without these increases, revenue growth would have been over 8 percent.

  U.S. invasive breast cancer test volume increased 9 percent for the quarter, driven in large part by the continued rise in adoption following the TAILORx results that were presented and published in June of last year.

- International product revenue was 17.8 million dollars for the quarter, an increase of 29 percent, compared with revenue of 13.8 million dollars for the same period in 2018. On a non-GAAP constant currency basis, international revenue for the quarter grew 32.9 percent compared to last year.

  As we experienced in the U.S., the TAILORx trial results continued to have a strong impact internationally. The number of international tests delivered

in the first quarter grew 28 percent compared with the same period in 2018. International test growth continues to be robust and above overall test growth levels, raising international test mix to 25 percent of total test volume in the first quarter, up from 22 percent of total test volume a year ago.

- U.S. prostate GPS test revenue was 8.5 million dollars for the quarter, an increase of 47 percent, compared with revenue of 5.8 million dollars for 2018. As expected, the strong revenue growth was due, in part, to additional price strength from the new CMS PLA code that took effect in January and increases in private payor reimbursement.

  GPS test volume increased 25 percent for the quarter. We believe class penetration is approximately 30 percent, with Oncotype DX GPS continuing to be the market leading test in low- and intermediate-risk prostate cancer test adoption and revenue.

Similar to the fourth quarter of 2018, company operating margin exceeded 10 percent of revenue in the first quarter, more than double the percent of revenue in the first quarter of 2018, as all operating ratios continue to improve. We expect operating margin to continue to be above 10 percent for the year.

We delivered more than 21 million dollars in adjusted EBITDA[1] for the quarter. These continuously improved financial results are positively impacting our financial position and allowing for further investment as we expand our business.

[1] Adjusted EBITDA is operating income plus depreciation and stock-based compensation expense. *A reconciliation of non-GAAP numbers is provided in the Company's first quarter 2019 earnings press release on https://newsroom.genomichealth.com/press-releases.*

Cash, cash equivalents and short-term marketable securities at March 31, 2019, were 205.9 million dollars, a decrease of 3.8 million dollars from the end of last year. Cash flow for the quarter was impacted by routine annual payments related to employee compensation.

As a reminder, achieving the high-end of our 2019 revenue guidance of 448 million dollars assumes:

- U.S invasive breast test volume growth in the mid-to-high single-digits with revenue at similar levels of growth;
- Prostate GPS test volume growth of approximately 20 percent and continued pricing strength from the CMS PLA code effective in 2019; and
- International test volume growth above 25 percent with national reimbursement coverage in Germany positively impacting the second half of the year.

Additionally, we continue to expect that our revenue growth will be higher in the first half of 2019 than in the second half of 2019 given:

- First, the step up in test and revenue growth experienced in the back half of last year in our global invasive breast cancer business following TAILORx results presented at ASCO in June 2018, and
- Secondly, increases to our accrual rates for revenue portfolios made in the second half of 2018.

We expect approximately 80 to 90 million dollars in adjusted EBITDA[2] for the year.

With our strong first quarter results and continued adoption and reimbursement across our Oncotype IQ® portfolio globally, we believe we are well positioned to deliver double-digit revenue growth and improved profitability in 2019.

I will now turn the call back to Kim.

[2] Adjusted EBITDA is operating income plus depreciation and stock-based compensation expense. *A reconciliation of non-GAAP numbers is provided in the Company's first quarter 2019 earnings press release on https://newsroom.genomichealth.com/press-releases.*

Kim:

Thanks, Brad.

As we have seen in the first quarter, we expect the TAILORx results to continue to have a practice-changing impact globally. We look forward to national reimbursement progress in key European markets, including Germany, which is expected to have a positive revenue impact in the second half of the year. And, we anticipate increased adoption and private reimbursement for our Oncotype DX GPS test and Oncotype DX AR-V7 Nucleus Detect test, both of which are now covered by Medicare. With these growth drivers, we believe we are well positioned to continue to drive both near- and long-term shareholder value.

Looking ahead, we are more optimistic than ever about further transforming cancer outcomes for patients, physicians and healthcare systems around the world. With multiple platforms and partnerships, we plan to diversify our Oncotype IQ portfolio with an expanded menu of tests that we deliver globally through our established oncology and urology channels.

Specifically, we believe our development of a unique and highly scalable sample-to-answer IVD version of the Oncotype DX Breast Recurrence Score test positions us for further long-term growth and diversification by:

- Accelerating access in key European markets with a localized solution;
- Opening global access to emerging large markets;
- Providing us with a proprietary platform to build a menu of locally distributed tests to be offered through our global commercial channels; and

- Facilitating broader collaboration opportunities with partners seeking localized diagnostic solutions.

Importantly, as a reminder, we recently expanded our exclusive collaboration with Biocartis into the field of urology allowing for the development of an IVD version of our Oncotype DX GPS test. This decision reflects our confidence in the Idylla platform and belief that it will be a differentiated solution to accelerate adoption of both our current tests and future offerings to meet the needs of physicians and patients globally.

In closing, with our proven business model and track record of profitable growth, we are well positioned to further our mission of developing and delivering high value tests that improve treatment decisions and outcomes for cancer patients around the world while continuing to save healthcare systems billions of dollars.

I would now like to open the line for your questions.

Operator: [Instructions] We ask that you limit your questions to two. If time permits, we will come back to those who have re-entered the question queue.

[Q&A Session]

Kim: Thank you for joining us today and for your interest in Genomic Health. We are very pleased with the progress we made across our business in the first quarter, and we continue to be confident in and excited about the growth opportunities for the remainder of the year. We look forward to seeing some of you at upcoming investor conferences and medical meetings and we look forward to continuing to update you throughout the year. Thank you.

Operator: And this concludes today's conference call for Genomic Health. You may now disconnect.

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