

Natera, Inc.

Q2 2017 Earnings Call

August 2017



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 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; 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; 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, 2017. 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.

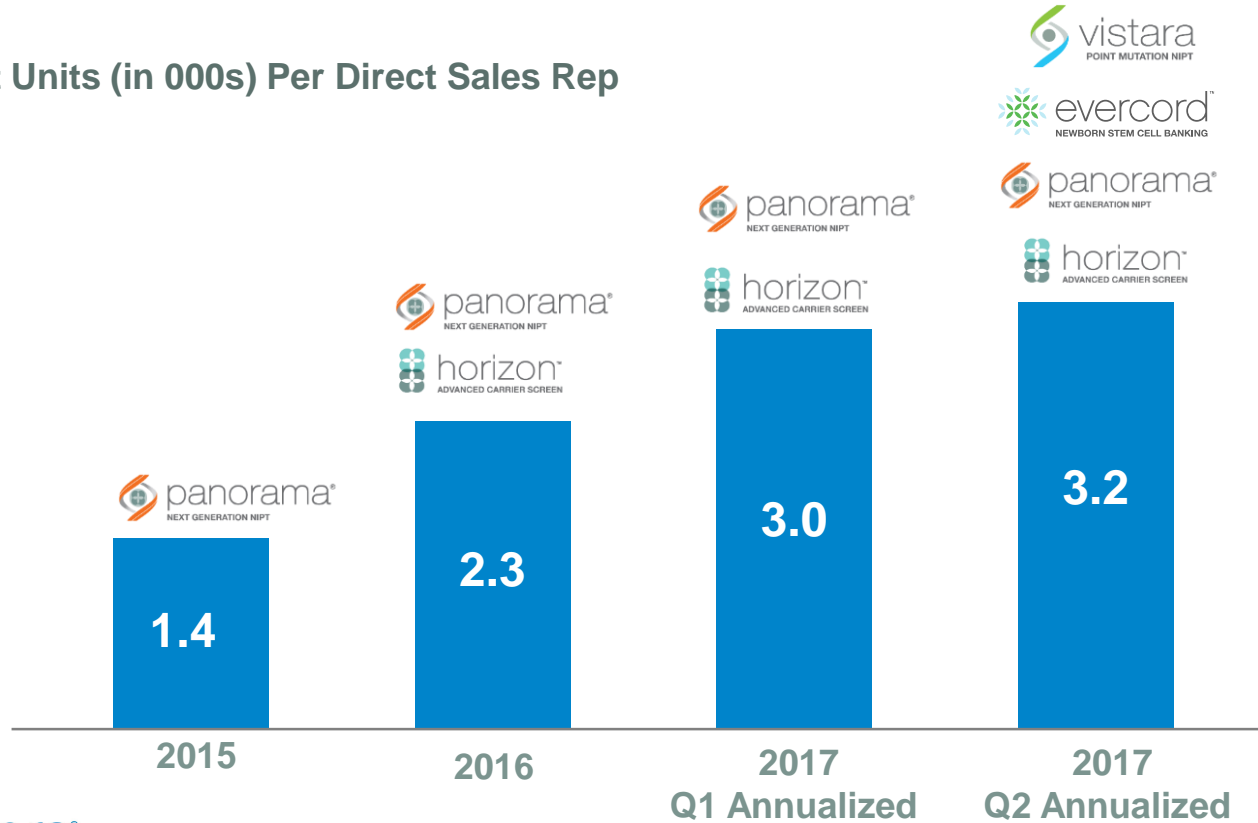


Recent Highlights

- **Total revenues of \$53.6M in Q2 2017, up 14% from Q1 2017**
 - Revenues grew 3% YoY despite adoption of in-network pricing
 - Revenues grew 14% sequentially vs. Q1 2017
- **Broader insurance coverage, stable in-network contracts driving ASP increases**
 - Blended Average Selling Price of \$452 vs. \$408 in Q1 2017
- **Gross margins of 36% in Q2 2017, up ~800 basis points from Q1 2017**
 - Panorama V3 improvements are on track for further COGS reductions
- **Processed 125,700 tests in Q2 2017, 17% growth vs. Q2 2016**
 - Panorama®: approximately 89,400 tests processed, 8% growth YoY
 - Horizon™: approximately 30,700 tests accessioned, 63% growth YoY
- **Closed \$100 million debt facility with Orbimed Advisors**

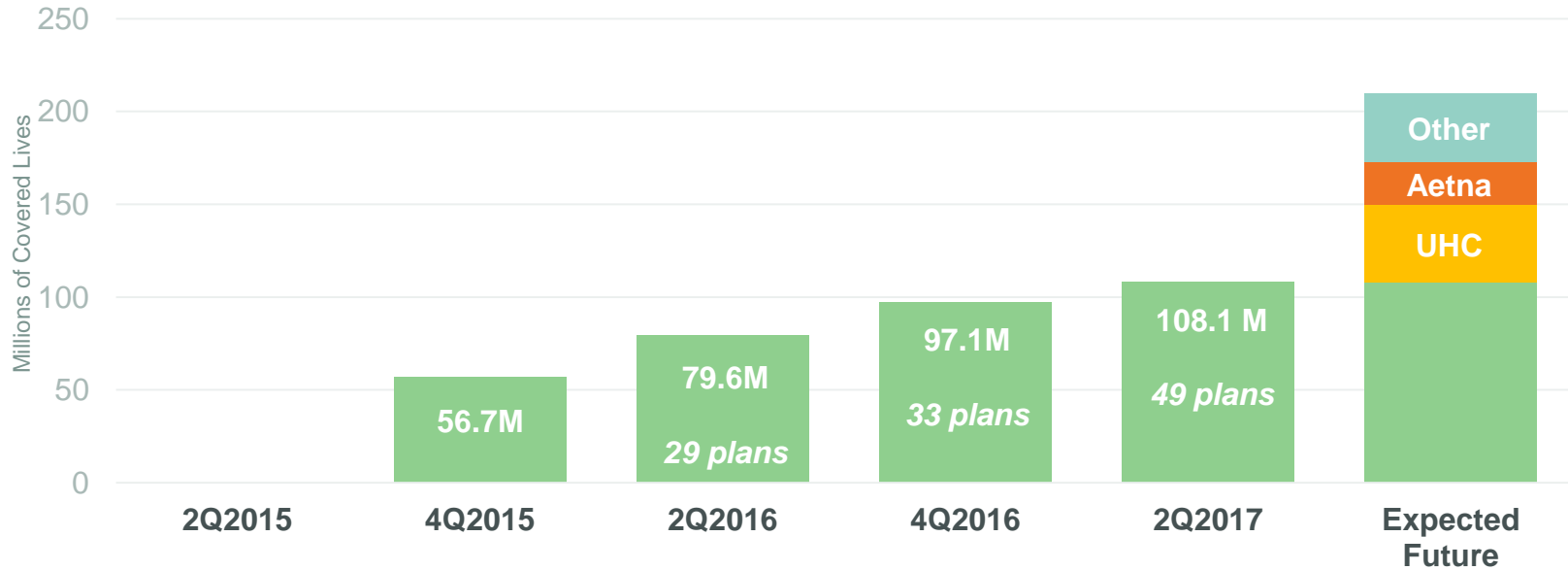
Sales Rep Productivity Growth

Direct Units (in 000s) Per Direct Sales Rep



NIPT for All Women – Expanding Coverage

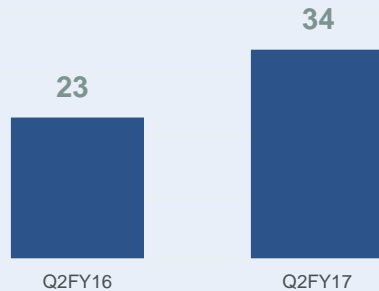
NIPT Average Risk Covered Lives by Quarter



Medicaid Continues to Expand

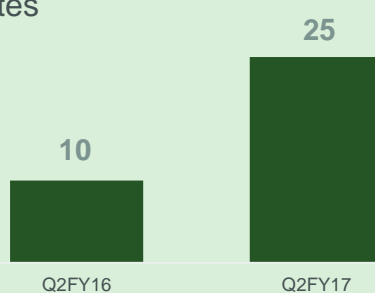
Increased NIPT Coverage

Since Q2FY16, **11 new states** have begun providing coverage for high risk NIPT



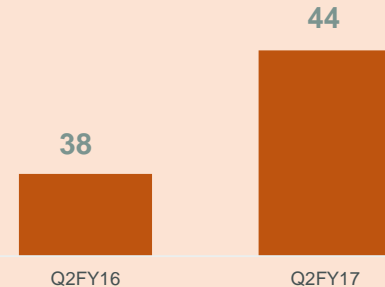
Increased published pricing

Since Q2FY16, **15 new states** have formally included NIPT on their fee schedule – with **5 states increasing** published payment rates



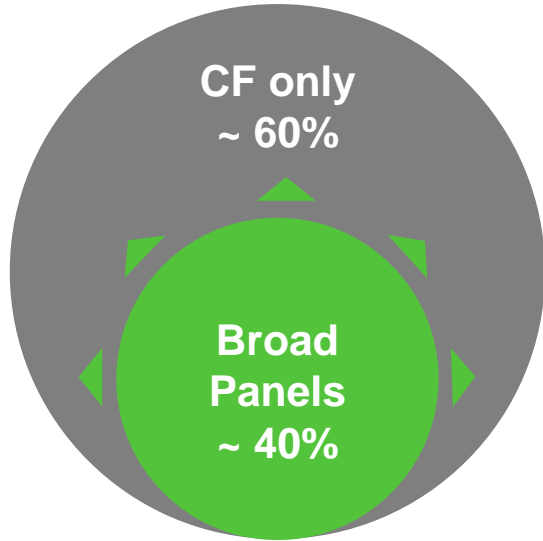
Increased credentialed status

Since Q2FY16, Natera has gained credentialed status in **6 new states**



Significant Opportunity Exists for Continued Growth in Expanded Carrier Screening

Carrier Screening Market

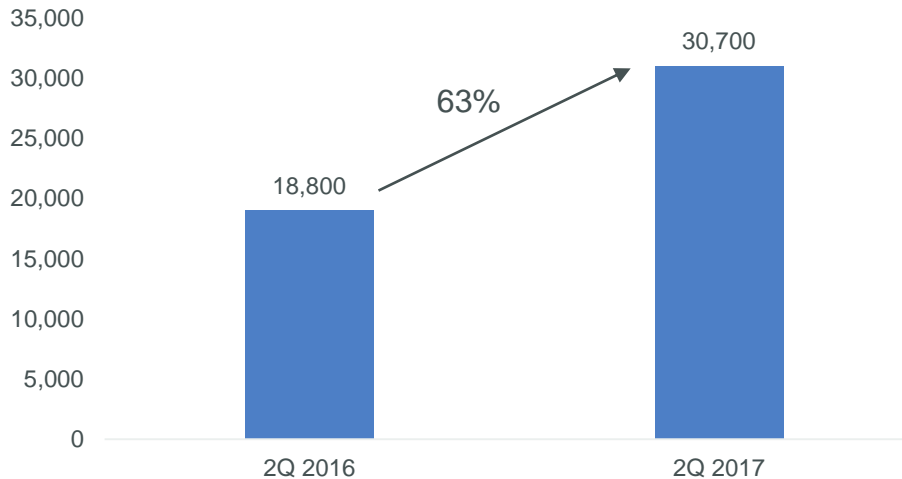


- Market continues to shift from cystic fibrosis-only carrier screening to broader panels
- New ACOG guideline disruptive to large reference labs focused on cystic fibrosis-only/limited screening

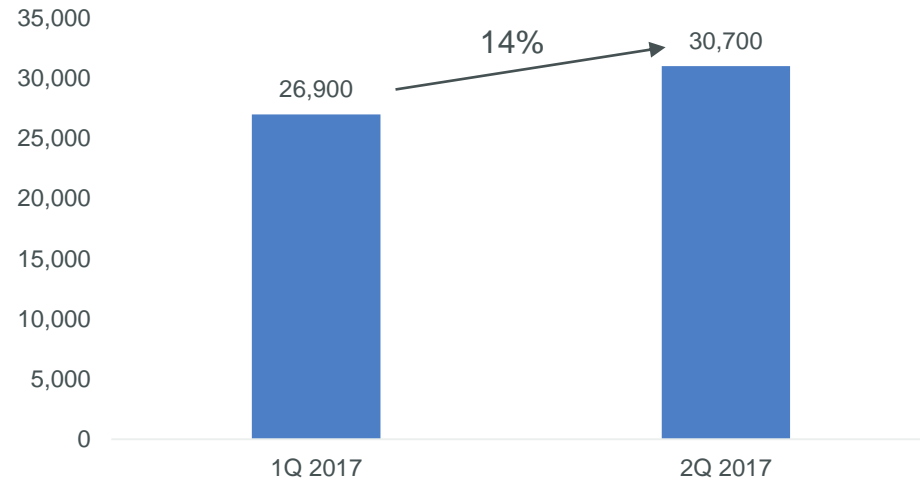
Focus on Direct Channel Yielding Higher Growth



Year Over Year



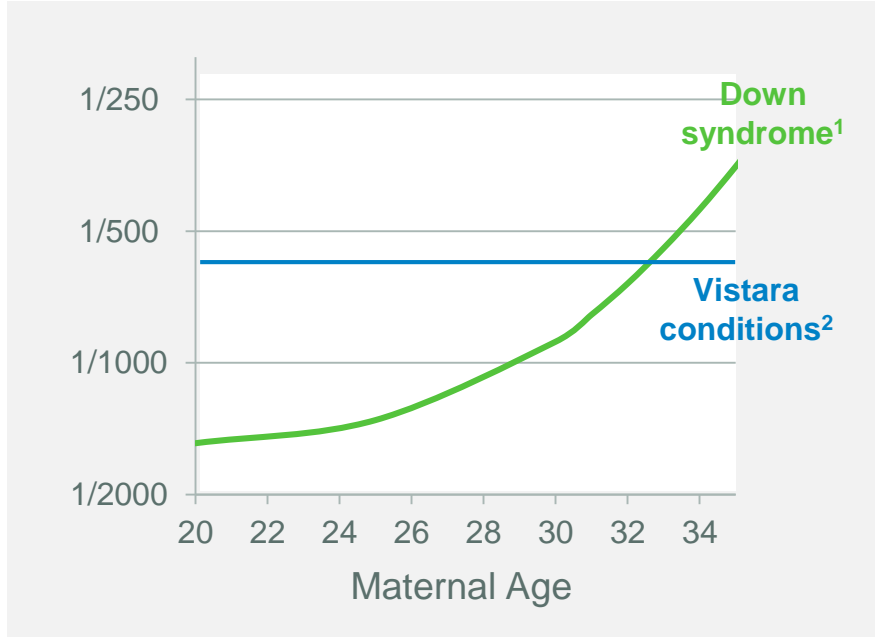
Quarter Over Quarter



Vistara Beta Successful



- Two confirmed positives so far, reimbursement and turnaround times consistent with expectations
- Screens for 30 genes tied to life-altering genetic disorders
- Complement to Panorama
- Conditions typically undetected with conventional screening



Evercord Launch Underway

Proven Quality & Experience



FDA-licensed
One of only 7 FDA-licensed facilities



Experienced
Nearly 1,000 units released for transplant



Longevity
Over 20 years of experience



Processing/Storage
Bloodworks' sterile closed system processing methods are used on donated and family units



Increasing Availability
Bloodworks collects nearly 50 units per month for the national registry

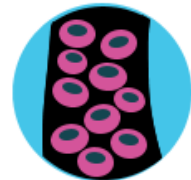


Research
Scientists are working to advance stem cell therapies and applications for future use



35

Horizon identifies 35 conditions that have been treated with cord blood stem cells



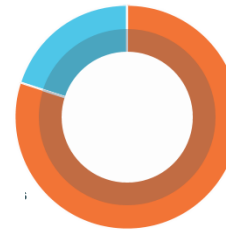
80

Treats nearly 80 diseases

30,000 transplants performed since 1988

Expanded Product Offering

80% Yes
20% No



80% of medical professionals prefer a company that provides products from conception through pregnancy and beyond.*

*TechValidate survey of medical professionals

Reach 500k Patients With Quality Message

Natera patients become Evercord customers



Panorama
order and
engagement
with Patient
Portal



Build trust in
Natera as a
leader in
women's health
and resource
for patients



Evercord
awareness and
education via
email, SMS,
and Patient
Portal



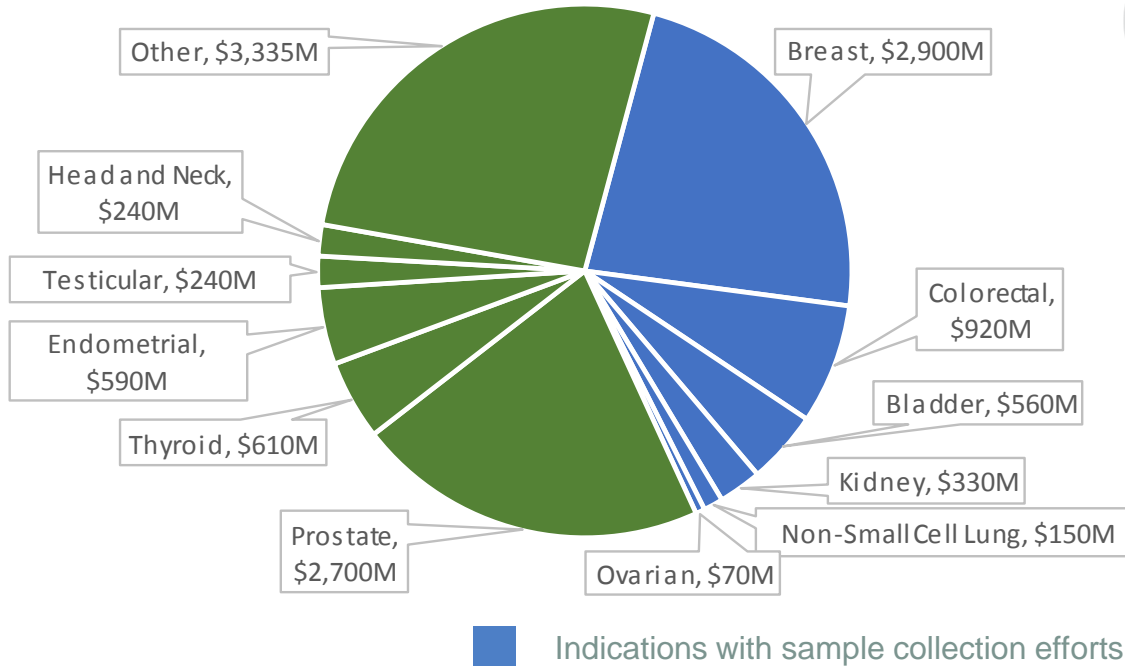
Evercord
purchase and
deposit



Ongoing
engagement
with Natera

RUO Launch of Signatera

Total CLIA & RUO U.S. TAM: \$12,645M



- Collection efforts underway for 3,000 samples on >500 patients for 6 indications

Launching Pan-Cancer Technology Platform

Natera Advantages

✓ Personalized assay designed for each individual

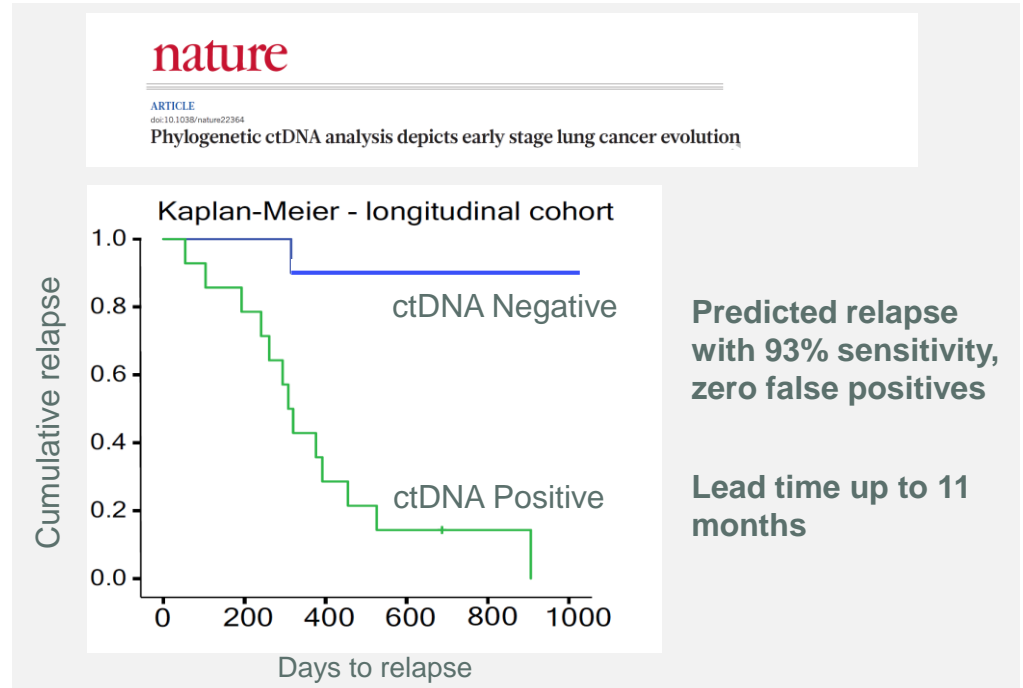
✓ Single molecule sensitivity in a tube of blood

✓ Fast turnaround time

✓ Expected low cost of goods sold <\$200



Proven Capability



Source: Phylogenetic ctDNA analysis depicts early stage lung cancer evolution. Abbosh C, et al. Nature. 2017 Apr 26. doi: 10.1038/nature22364

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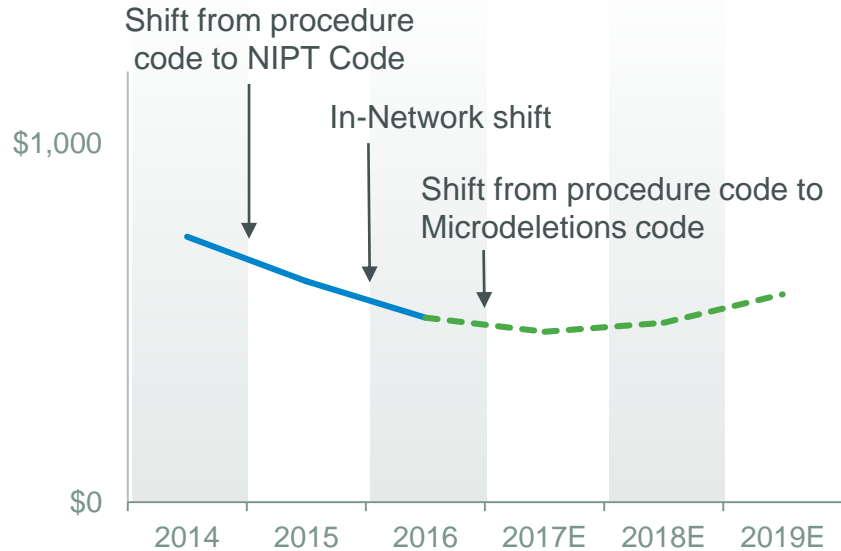
Natera's Path to Cash Flow Breakeven

- Reimbursement for existing test volumes
- COGS Improvements
- New product launches in women's health channel
- Stable operating expenses as revenues grow

Average Selling Prices Stable and Improving

Three Distinct Pricing Headwinds



Total revenues / tests accessioned



Pricing Drivers Going Forward

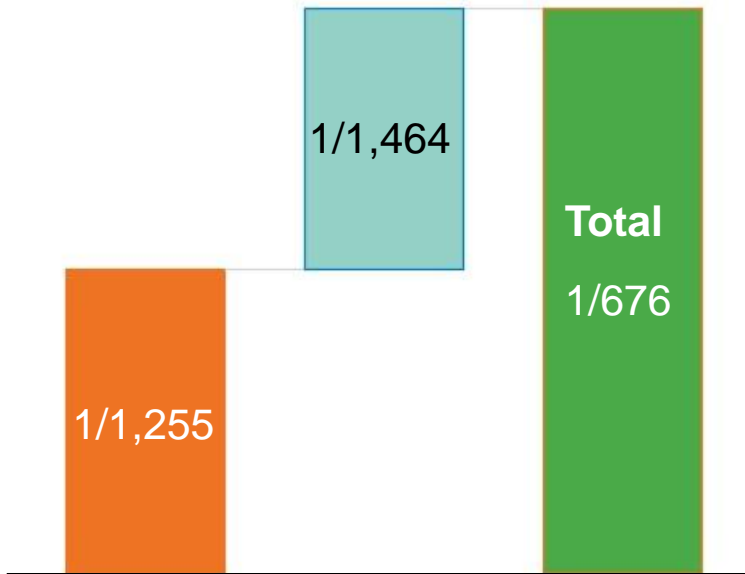
- Multi-year, fixed price payer contracts
- Increasing average risk NIPT Coverage
- Increasing coverage for microdeletions

Significant Earnings Potential Embedded in Current Volumes

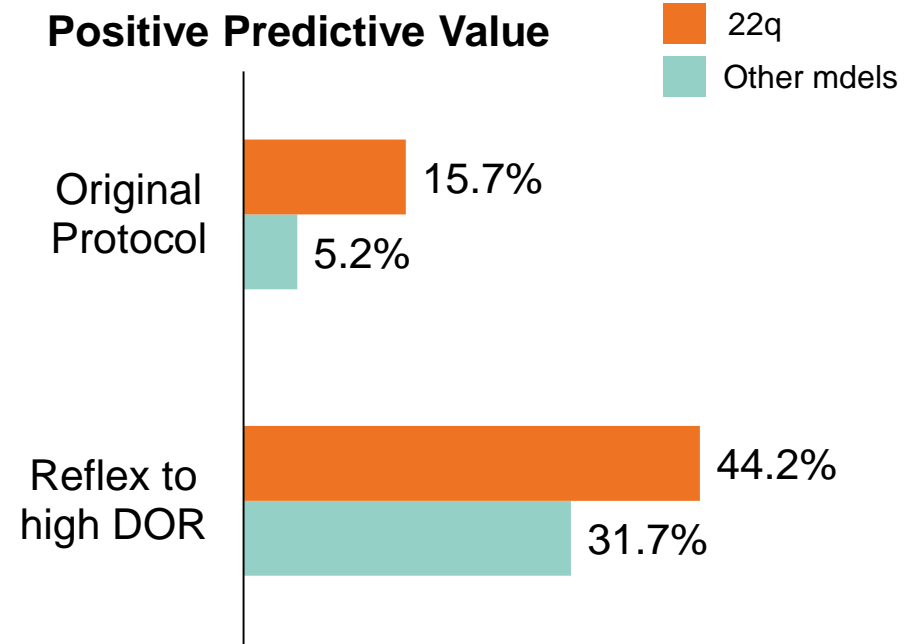
	Estimated Quarterly Un-Reimbursed Test Volume	Expected Future ASP	Estimated Revenues & Cash Flow from Un-Reimbursed Volume
 Average Risk NIPT	26,000	\$450	\$12MM
 Microdeletions	40,000	\$450	\$18MM
Total per quarter	66,000	\$450	\$30MM

Microdeletion clinical experience publication shows high prevalence and improved performance

Prevalence in the referral population

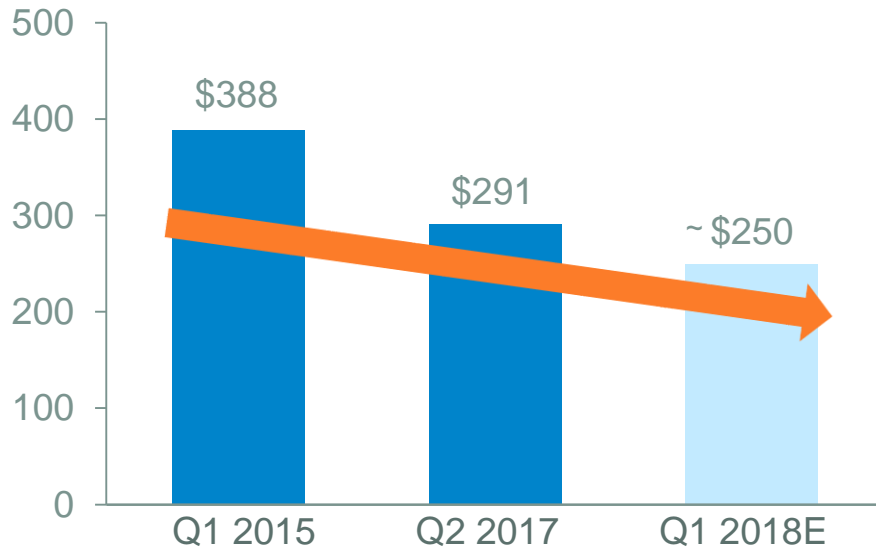


Positive Predictive Value



R&D Investments Driving Strong Returns

Blended COGS Trajectory



\$97 savings X
475,000 tests / year
=
\$46MM annual savings

Greater than 51% ROIC
on all R&D spend

Q2 2017 Financial Overview

Shift to in-network contracts primary driver of change vs Q2 2016

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

P&L	Q2 '17	Q2 '16	Change
Horizon Revenue	\$16.3	\$15.9	\$0.4
Panorama Revenue	\$32.9	\$32.1	\$0.8
Total Revenue	\$53.6	\$52.0	\$1.6
Gross Margin%*	36%	28%	800 bps
R&D	\$11.8	\$10.3	\$1.5
SG&A	\$34.3	\$33.2	\$1.1
Net Loss Per Diluted Share	(\$0.52)	(\$0.46)	(\$0.06)
Balance Sheet	Jun 30, 2017	Mar 31, 2017	Change
Cash & Investments ¹	\$103.2	\$116.9	(\$13.7)
UBS Line of Credit	\$50.0	\$49.8	\$0.2

¹ Cash and investments also include short-term and long-term restricted cash.

2017 Guidance Unchanged

(\$ in millions)	Current
Revenue	\$210 - \$230
Gross Margin % revenue	35% - 40%
SG&A	\$135 - \$140
R&D	\$45 - \$50
Cash Burn	\$65 - \$75

Orbimed Debt Financing

- \$100 million commitment
 - \$75 million funded at close; additional \$25 million available at Natera's option through 2018
- 7 year loan
- Interest only until maturity
- LIBOR + 8.75%, subject to a 1% LIBOR Floor
- May be repaid prior to maturity date



natera[®]

Conceive. Deliver.