EXACT SCIENCES CORP
Form 424B5
July 23, 2015

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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-205751

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Aggregate Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee(1)
Common stock	8,050,000	$25.500	$205,275,000	$23,852.96
Total Registration Fee				$23,852.96

(1) Calculated pursuant to Rule 457(r).

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PROSPECTUS SUPPLEMENT
(To Prospectus dated July 20, 2015)

7,000,000 Shares

Exact Sciences Corporation

Common Stock

We are offering 7,000,000 shares of our common stock. Our common stock is traded on the NASDAQ Capital Market under the symbol "EXAS." On July 20, 2015, the last reported sale price of our common stock on the NASDAQ Capital Market was $27.03 per share.

Investing in our common stock involves a high degree of risk. Please read "Risk Factors" beginning on page S-8 of this prospectus supplement, on page 3 of the accompanying prospectus and in the documents incorporated by reference into this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	PER SHARE	TOTAL
Public Offering Price	$ 25.50	$ 178,500,000.00
Underwriting Discounts and Commissions[(1)]	$ 0.50	$ 3,500,000.00
Proceeds to Exact Sciences Corporation (Before Expenses)	$ 25.00	$ 175,000,000.00

(1) The underwriters will also be reimbursed for certain expenses incurred in this offering. See "Underwriting" for details.

Delivery of the shares of common stock is expected to be made on or about July 24, 2015. We have granted the underwriters an option for a period of 30 days to purchase an additional 1,050,000 shares of our common stock. If the underwriters exercise the option in full, the total underwriting discounts and commissions payable by us will be $4,025,000 and the total proceeds to us, before expenses, will be $201,250,000.

Joint Book-Running Managers

Jefferies **Baird**

Prospectus Supplement dated July 21, 2015.

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Prospectus Supplement

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement and the accompanying prospectus form part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission, or the "SEC," using a "shelf" registration process. This document contains two parts. The first part consists of this prospectus supplement, which provides you with specific information about this offering. The second part, the accompanying prospectus, provides more general information, some of which may not apply to this offering. Generally, when we refer only to the "prospectus," we are referring to both parts combined.

In this prospectus supplement, the "Company," "we," "us" and "our" and similar terms refer to Exact Sciences Corporation and its subsidiaries. References to our "common stock" refer to the common stock of Exact Sciences Corporation.

This prospectus supplement, and the information incorporated herein by reference, may add, update or change information in the accompanying prospectus. You should read both this prospectus supplement and the accompanying prospectus together with additional information described under the headings "Where You Can Find More Information" and "Incorporation of Certain Information by Reference." If there is any inconsistency between the information in this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference to this prospectus supplement and the accompanying prospectus. Neither we nor the underwriters have authorized any other person to provide information different from that contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in the prospectus and this prospectus supplement is accurate as of the dates on their respective covers, regardless of time of delivery of the prospectus and this prospectus supplement or any sale of securities. Our business, financial condition, results of operations and prospects may have changed since those dates.

All references in this prospectus supplement to our consolidated financial statements include, unless the context indicates otherwise, the related notes.

The industry and market data and other statistical information contained in this prospectus supplement, the accompanying prospectus and the documents we incorporate by reference are based on management's own estimates, independent publications, government publications, reports by market research firms or other published independent sources, and, in each case, are believed by management to be reasonable estimates. Although we believe these sources are reliable, we have not independently verified the information. None of the independent industry publications used in this prospectus supplement, the accompanying prospectus or the documents we incorporate by reference were prepared on our or our affiliates' behalf and none of the sources cited by us consented to the inclusion of any data from its reports, nor have we sought their consent.

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CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING INFORMATION

Certain information set forth in this prospectus supplement, set forth in the accompanying prospectus or incorporated by reference herein or therein, may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are intended to be covered by the "safe harbor" created by those sections. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, can generally be identified by the use of forward-looking terms such as "believe," "expect," "may," "will," "should," "would," "could," "seek," "intend," "plan," "estimate," "goal," "anticipate," "project" or other comparable terms. Forward-looking statements involve inherent risks and uncertainties which could cause actual results to differ materially from those in the forward-looking statements, as a result of various factors including those risks and uncertainties included in this prospectus supplement under the caption "Risk Factors," and those risks and uncertainties described in the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. We urge you to consider those risks and uncertainties in evaluating our forward-looking statements. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the applicable cautionary statements. We further caution readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. Except as otherwise required by the federal securities laws, we disclaim any obligation or undertaking to publicly release any updates or revisions to any forward-looking statement contained herein or in the accompanying prospectus (or elsewhere) to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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SUMMARY

The information below is only a summary of more detailed information included elsewhere in or incorporated by reference in this prospectus supplement and the accompanying prospectus. This summary may not contain all the information that is important to you or that you should consider before making a decision to invest in our common stock. Please read this entire prospectus supplement and the accompanying prospectus, including the risk factors, as well as the information incorporated by reference in this prospectus supplement and the accompanying prospectus, carefully.

Our Company

We are a molecular diagnostics company currently focused on the early detection and prevention of some of the deadliest forms of cancer. We have developed an accurate, non-invasive, patient-friendly screening test for the early detection of colorectal cancer and pre-cancer, and we are currently working on the development of tests for lung cancer, pancreatic cancer and esophageal cancer.

Cologuard®

Our Cologuard test is designed to detect pre-cancerous lesions or polyps, and each of the four stages of colorectal cancer. Cologuard is a non-invasive, stool-based DNA (sDNA) screening test designed to detect DNA markers, which in published studies have been shown to be associated with colorectal cancer. In addition to DNA markers, our test includes a protein marker to detect blood in the stool utilizing an antibody-based fecal immunochemical test (FIT).

Colorectal cancer is the second leading cause of cancer deaths in the United States and the leading cause of cancer deaths among nonsmokers.

It is widely accepted that colorectal cancer is among the most preventable, yet least prevented cancers. Colorectal cancer can take up to 10-15 years to progress from a pre-cancerous lesion to metastatic cancer and death. Patients who are diagnosed early in the progression of the disease with pre-cancerous lesions or polyps, or early-stage cancer are more likely to have a complete recovery and to be treated less expensively. Accordingly, the American Cancer Society (ACS) recommends that all people age 50 and older undergo regular colorectal cancer screening. Of the more than 80 million people in the United States for whom routine colorectal cancer screening is recommended, nearly 47 percent have not been screened according to current guidelines. Poor compliance with screening guidelines has meant that nearly two-thirds of colorectal cancer diagnoses are made in the disease's late stages. The five-year survival rates for stages 3 and 4 are 67 percent and 12 percent, respectively.

We believe the large population of unscreened and inadequately screened patients represents a significant opportunity for a patient friendly screening test like ours. Pre-cancerous polyps are present in approximately 6 percent of average risk people 50 years of age and older who undergo routine colorectal cancer screening.

The competitive advantages of sDNA screening provide a significant market opportunity. Assuming a 30-percent test adoption rate and a three-year screening interval, we estimate the potential U.S. market for sDNA screening to be more than $2 billion and we estimate the potential global market opportunity to be greater than $3 billion.

Physicians and others assessing the effectiveness and value of our Cologuard test, will likely consider, among other things, Cologuard's sensitivity and specificity in identifying colorectal cancer and pre-cancerous polyps. "Sensitivity" (also called the true positive rate) measures the percentage of colorectal cancer or pre-cancerous polyps that our Cologuard test correctly identifies. "Specificity" (also called the true negative rate) measures the percentage of people who our Cologuard test correctly identifies as not having colorectal cancer or pre-cancerous polyps.

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On August 11, 2014, the U.S. Food and Drug Administration (FDA) approved Cologuard for use as the first (and currently only) sDNA noninvasive colorectal cancer screening test. Our submission to the FDA for Cologuard included the results of our pivotal DeeP-C clinical trial, which had over 10,000 patients enrolled at 90 enrollment sites in the U.S. and Canada. The results of our DeeP-C clinical trial for Cologuard were published in the New England Journal of Medicine in April 2014. The peer-reviewed study, "Multi-target Stool DNA Testing for Colorectal-Cancer Screening", highlighted the performance of Cologuard in the trial population:

- Cancer Sensitivity: 92%
- High-Grade Dysplasia Sensitivity: 69%
- Specificity: 87%

On October 9, 2014, the Centers for Medicare & Medicaid Services (CMS) issued a decision effecting national coverage for Cologuard. Medicare covers 43% of patients in the screening population for Cologuard. As outlined in the CMS's coverage decision, Medicare Part B will cover Cologuard once every three years for beneficiaries who meet all of the following criteria:

- Age 50 to 85 years
- Asymptomatic (no signs or symptoms of colorectal disease including, but not limited to, lower gastrointestinal pain, blood in stool, positive guaiac fecal occult blood test or fecal immunochemical test), and
- At average risk of developing colorectal cancer (no personal history of adenomatous polyps, colorectal cancer, or inflammatory bowel disease, including Crohn's Disease and ulcerative colitis; no family history of colorectal cancers or adenomatous polyps, familial adenomatous polyposis or hereditary nonpolyposis colorectal cancer).

In the 2015 Clinical Laboratory Fee Schedule, CMS established reimbursement for Cologuard (CPT code G0464) at $492.72. However, under the Protecting Access to Medicare Act of 2014, the basis for Cologuard's CMS reimbursement rate is expected to change, beginning in January, 2017.

We believe that it will be necessary to secure favorable coverage and reimbursement from commercial payors to achieve commercial success. We believe that third-party payors' reimbursement of Cologuard will depend on a number of factors, including payors' determination that it is: sensitive for colorectal cancer; not experimental or investigational; approved by major guidelines organizations; reliable, safe and effective; medically necessary; appropriate for the specific patient; and cost-effective.

Cologuard is currently included in the ACS colorectal cancer screening guidelines. The US Preventative Services Task Force (USPSTF) is expected to issue draft colorectal cancer screening guidelines during the second half of 2015 and final guidelines during the first half of 2016. If USPSTF assigns an "A" or "B" grade to Cologuard, then the Patient Protection and Affordable Care Act will require most private health insurance plans to begin (within one year after the new USPSTF recommendation) covering Cologuard without charging the patient any co-pay or deductible. Although we cannot provide any assurance that USPSTF will assign Cologuard an "A" or "B" grade, we believe receiving an "A" or "B" grade would increase Cologuard's insurance coverage and market adoption.

Our top priorities for 2015 include growing revenue for Cologuard, continuing to provide efficient service as order volume grows, and developing our product pipeline for future products.

We plan to grow Cologuard revenue through the continued efforts of our sales force to work with physicians and systems to adopt Cologuard for colorectal cancer screening. In addition, we are working with payors to secure favorable reimbursement for Cologuard which will be a key component to growing revenue in 2015.

Another key priority for 2015 is to achieve and maintain at least a 70% compliance rate for patients who are prescribed Cologuard and to whom we ship a Cologuard test kit. As of June 30, 2015, our patient

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compliance rate for Cologuard was approximately 73% The patient compliance rate is derived from the number of valid test results reported divided by the number of collection kits shipped to patients 60 or more days prior to June 30, 2015.

A critical part of the value proposition of Cologuard is our physician and patient engagement team which helps to drive compliance for Cologuard as the team actively engages with patients to help them get screened. This activity is focused on having patients complete Cologuard tests that have been ordered for them by their physicians and supports physicians in their efforts to have their patients screened. In addition, monthly compliance reports are provided to physicians relevant to their patient population.

Our sales and marketing strategy includes three main elements with a focus on physicians, patients and payors.

We are engaging physicians with several strategies. We have a 245 person sales team, including approximately 200 in a direct field sales force, actively engaging with physicians and their staffs to emphasize the need for colorectal cancer screening, educating them on the value of Cologuard and enrolling them in our physician ordering system to enable them to prescribe the test. We are focused on specific physicians based on specialty and propensity to prescribe colorectal cancer screening tests. We are also focused on physician groups and larger regional and national health systems. Further, to build awareness, we have launched a medical education program that includes online training and peer-to-peer presentations. Additionally, pursuant to our agreement with Ironwood Pharmaceuticals, 160 Ironwood sales representatives promote Cologuard to healthcare practitioners to whom they also promote Ironwood's LINZESS therapy for the treatment of irritable bowel syndrome with constipation and chronic idiopathic constipation.

After the launch of Cologuard, we initiated a significant public relations effort to engage patients. We have conducted targeted direct-to-patient advertising campaigns through social media, print and other channels.

One of the key components to engaging with payors was securing coverage from CMS, which we did in October of 2014. Additionally, we are providing cost effectiveness data to payors to make the case for Cologuard reimbursement. We are focusing our efforts on large national and regional insurers, states that require health insurers to cover colorectal cancer screening consistent with the ACS guidelines and health plans that have affiliated health systems.

As part of our commercialization strategy, we established a lab facility that is certified pursuant to applicable Federal Clinical Laboratory Improvement Amendments (CLIA) regulations and certain state law requirements. Our commercial lab operation is housed in a 32,000 square foot facility in Madison, Wisconsin. We have the capacity at our lab to process one million Cologuard tests per year.

Product Pipeline

We also are focused on developing our product pipeline for future products. We are continuing to collaborate with MAYO on future products related to early detection of gastrointestinal (GI) cancers specifically in the areas of esophageal and pancreatic cancers. GI cancers account for 145,000 or 25% of all U.S. cancer deaths annually and represent a significant market opportunity for future products. In February 2015, we amended and restated our license agreement with MAYO to extend our arrangement with MAYO for an additional five years and broaden our collaboration efforts to develop screening, surveillance and diagnostic tests and tools for use in connection with gastrointestinal cancers, pre-cancers, diseases and conditions.

In June 2015, we entered into a joint development and license agreement with The University of Texas MD Anderson Cancer Center to establish a collaboration aimed at developing a blood-based lung cancer screening test to determine the need for low-dose computed tomography (LDCT). This test would offer the opportunity to screen nearly 11 million Americans considered high-risk smokers and former smokers. The partnership is also aimed at developing a diagnostic test to determine the malignant status of nodules found through computed tomography screening. This test would be valuable to nearly four million Americans

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diagnosed with lung nodules each year. The American Cancer Society estimates that lung cancer will be diagnosed in 221,200 Americans and cause 158,040 deaths in the United States this year and that, world-wide, lung cancer will be diagnosed in 1,825,000 people and cause 1,590,000 deaths. Currently, more than half of lung cancer cases are diagnosed at an advanced stage, after symptoms appear, when the five-year survival rate is in the low single digits. If detected at an early stage, lung cancer's five-year survival rate can be as high as 80 percent.

Additionally, we will continue to explore opportunities for expanding the indications of Cologuard such as for patients between the ages of 40-49 or for high risk patients.

Recent Developments

In the second quarter of 2015, we completed approximately 21,000 Cologuard tests, up from 11,000 completed tests in the first quarter of 2015, and recognized $8.1 million of revenue. During the second quarter of 2015, the cumulative number of ordering physicians (physicians who ordered at least one Cologuard test) grew to more than 14,700. Additionally, as of the end of the second quarter of 2015, the patient compliance rate (calculated based on the number of valid test results reported divided by the number of collection kits shipped to patients 60 or more days prior to the measurement date) for Cologuard was approximately 73 percent, an increase from approximately 71 percent as of the end of the first quarter.

Corporate Information

Our executive offices are located at 5601 Research Park Drive, Madison, Wisconsin 53711. Our telephone number is (608) 284-5700. Our Internet website address is *www.exactsciences.com*. Our Internet website and the information contained therein or connected thereto are not part of this prospectus supplement or the accompanying prospectus.

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THE OFFERING

The summary below describes some of the terms of the offering. For a more complete description of our common stock, see "Description of Capital Stock" in the accompanying prospectus.

Issuer:	Exact Sciences Corporation
Shares of common stock offered by us:	7,000,000 shares
Shares of common stock outstanding after the offering:	95,913,304 shares (or 96,963,304 shares if the underwriters' option to purchase additional shares is exercised in full).

Underwriters' Option to Purchase Additional Shares

We have granted the underwriters an option to purchase up to 1,050,000 additional shares of our common stock. This option is exercisable, in whole or in part, for a period of 30 days from the date of the underwriting agreement.

Use of Proceeds

We intend to use the net proceeds from this offering to fund expansion of our Cologuard commercialization activities, to fund our product development efforts, and for general corporate and working capital purposes. See "Use of Proceeds."

NASDAQ Capital Market Listing

Our common stock is listed on the NASDAQ Capital Market under the symbol "EXAS".

Risk Factors

Investing in our common stock involves a high degree of risk. You should carefully consider all the information included or incorporated by reference in this prospectus supplement prior to investing in our common stock. In particular, we urge you to carefully consider the information contained in or incorporated by reference under "Risk Factors" beginning on page S-8 of this prospectus supplement, page 3 of the accompanying prospectus and in the documents incorporated by reference into this prospectus supplement.

Outstanding Shares

The number of shares outstanding after the offering is based on 88,913,304 shares outstanding as of March 31, 2015, and includes 55,087 shares of unvested restricted stock issued to directors. The number of outstanding shares after the offering does not include, in each case as of March 31, 2015:

- 5,221,920 shares subject to outstanding stock options at a weighted average exercise price of $4.83 per share;
- 2,249,896 shares subject to outstanding restricted stock unit awards; or
- 764,951 additional shares of common stock reserved for issuance under our equity incentive plans (or 9,124,951 additional shares, subject to stockholder approval of an amendment to our 2010 Omnibus Long-Term Incentive Plan at our 2015 annual stockholder meeting scheduled for July 23, 2015).

If the underwriters' option to purchase additional shares is exercised in full, we will issue and sell an additional 1,050,000 shares of our common stock and will have 96,963,304 shares outstanding after the offering.

Except as otherwise noted, all information in this prospectus supplement assumes no exercise of the underwriters' option to purchase additional shares.

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RISK FACTORS

We operate in a rapidly changing environment that involves a number of risks, some of which are beyond our control. This discussion highlights some of the risks which may affect future operating results. These are the risks and uncertainties we believe are most important for you to consider. We cannot be certain that we will successfully address these risks. If we are unable to address these risks, our business may not grow, our stock price may suffer and we may be unable to stay in business. Additional risks and uncertainties not presently known to us, which we currently deem immaterial or which are similar to those faced by other companies in our industry or business in general, may also impair our business operations.

We may never become profitable.

We have incurred losses since we were formed and have had only modest product, service and royalty fee revenues to date. From our date of inception on February 10, 1995 through December 31, 2014, we have accumulated a total deficit of approximately $420.8 million. We expect that our losses will continue for at least the next several years and that we will be required to invest significant additional funds toward development and commercialization of our colorectal cancer screening technology. If our revenue does not grow significantly, we will not be profitable. We cannot be certain that the revenue from the sale of any products based on our technologies will be sufficient to make us profitable.

We may need additional capital to execute our business plan.

Although we believe that we have sufficient capital to fund our operations for at least the next twelve months, we may require additional capital to fully fund the commercialization of our Cologuard test and other business expansion activities, including the development of new products and services. If we raise additional funds through the sale of equity, convertible debt or other equity-linked securities, our stockholders' ownership will be diluted. We may issue securities that have rights, preferences and privileges senior to our common stock. If we raise additional funds through collaborations or licensing arrangements, we may relinquish rights to certain of our technologies or products or grant licenses to third parties on terms that are unfavorable to us.

Our success depends heavily on our Cologuard colorectal cancer screening test.

For the foreseeable future, our ability to generate revenues will depend entirely on the commercial success of our Cologuard test. The commercial success of our Cologuard test and our ability to generate revenues will depend on several factors, including the following:

- acceptance in the medical community;
- inclusion of Cologuard in healthcare guidelines, such as those developed by ACS and USPSTF;
- patient acceptance of and demand for the Cologuard test;
- successful sales, marketing and educational programs;
- the number of patients tested for colorectal cancer as well as the number of patients who use Cologuard for that purpose;
- sufficient coverage and reimbursement by third party payors;
- the amount and nature of competition from other colorectal cancer or pre-cancer screening products and procedures;
- maintaining FDA marketing approval of Cologuard in the United States and the receipt and maintenance of marketing approval from foreign regulatory authorities;

- maintaining and defending patent protection for the intellectual property relevant to Cologuard; and
- our ability to establish and maintain commercial manufacturing, distribution, sales force and CLIA laboratory testing capabilities.

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If we are unable to develop substantial sales of our Cologuard test or if we are significantly delayed or limited in doing so, our business prospects would be adversely affected.

Other companies or institutions may develop and market novel or improved methods for detecting colorectal cancer or pre-cancer, which may make our technologies less competitive or obsolete.

The market for colorectal cancer and pre-cancer screening is large, consisting of more than 80 million Americans age 50 and above. As a result, this market has attracted competitors, some of which possess significantly greater financial and other resources and development capabilities than we do. Some companies and institutions are developing serum-based tests and screening tests based on the detection of proteins, nucleic acids or the presence of fragments of mutated genes in the blood that are produced by colorectal cancer or pre-cancer. We are aware of at least four companies Epigenomics AG, Applied Proteomics, Inc., Gene News, EDP Biotech Corporation and Quest Diagnostics that are developing blood-based tests for the detection of colorectal cancer. Epigenomics AG completed a large multi-center study designed to demonstrate the performance of its blood-based screening test for colorectal cancer and submitted the results to the FDA in June 2014. It is our understanding that the FDA issued a response letter to Epigenomics AG requiring additional clinical studies to demonstrate the performance of its test and Epigenomics AG is in the process of conducting a study to satisfy the FDA's requirements. We also face competition from procedure-based detection technologies such as flexible sigmoidoscopy, colonoscopy and "virtual" colonoscopy (a radiological imaging approach which visualizes the inside of the bowel by use of spiral computerized axial tomography known as a CT scan) as well as traditional screening tests such as FOBT and FIT and newer screening technologies such as the PillCam COLON approved by FDA in February 2014. Our competitors may also be working on additional methods of detecting colorectal cancer and pre-cancer that have not yet been announced. We may be unable to compete effectively against these competitors either because their tests are superior or because they may have more expertise, experience, financial resources or stronger business relationships.

If third-party payors, including managed care organizations, do not approve reimbursement for our Cologuard test at adequate reimbursement rates, we may be unable to successfully commercialize our Cologuard test which would likely have a material adverse effect on our business.

Successful commercialization of our Cologuard test depends, in large part, on the availability of adequate reimbursement from government insurance plans, managed care organizations and private insurance plans. Although we received a positive coverage decision and what we believe is a favorable initial reimbursement rate from the Centers for Medicare and Medicaid (CMS) for our Cologuard test, it is also critical that other third party payors approve reimbursement for our Cologuard test at adequate reimbursement rates. Third-party payors are increasingly attempting to contain healthcare costs by limiting both coverage and the level of reimbursement for new healthcare products approved for marketing by the FDA. As a result, there is significant uncertainty surrounding whether the use of tests that incorporate new technology, such as our Cologuard test, will be eligible for coverage by third-party payors or, if eligible for coverage, what the reimbursement rates will be. Reimbursement of stool-based DNA colorectal cancer screening by a third-party payor may depend on a number of factors, including a payor's determination that tests using our technologies are: sensitive for colorectal cancer and pre-cancer; not experimental or investigational; approved by the major guidelines organizations; reliable, safe and effective; medically necessary; appropriate for the specific patient; and cost-effective.

If we are unable to obtain positive decisions from third-party payors, including managed care organizations, approving reimbursement for our Cologuard test at adequate levels, its commercial success would be compromised and our revenues would be significantly limited. We may also experience material delays in obtaining such reimbursement decisions and payment for our Cologuard test which are beyond our control. Moreover, coverage determinations and reimbursement rates are subject to change, and we cannot guarantee that even if we initially achieve adequate coverage and reimbursement rates, they will be applicable to our Cologuard test in the future.

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If our clinical studies do not satisfy providers, payors, patients and others as to the reliability, effectiveness and superiority of our Cologuard test, we may experience reluctance or refusal on the part of physicians to order, and third-party payors to pay for, our test.

Although we have received FDA approval for our Cologuard test, if the results of our research and clinical studies and our sales and marketing activities relating to communication of these results, do not convince thought-leading gastroenterologists, guidelines organizations, primary care physicians and other healthcare providers, third-party payors and patients that our Cologuard test is reliable, effective and superior to existing screening methods, including Hemoccult II, Hemoccult Sensa and immunochemical FOBT, we may experience reluctance or refusal on the part of physicians to order, and third-party payors to pay for, our Cologuard test, which could prevent us from successfully commercializing it.

We have limited selling and marketing resources and lack sales, marketing, customer support, manufacturing, distribution and commercial laboratory experience, which may restrict our success in commercializing products.

To grow our business as planned, we must expand our sales, marketing and customer support capabilities, which will involve developing and administering our commercial infrastructure and/or collaborative commercial arrangements and partnerships. We must also maintain satisfactory arrangements for the manufacture and distribution of our Cologuard test. In addition, as part of our commercialization strategy, we have recently established a CLIA certified lab facility to process Cologuard tests and provide patient results. We have limited experience managing a sales force, customer support operation and operating a manufacturing operation and clinical lab facility and we may encounter difficulties retaining and managing the specialized workforce these activities require. We may seek to partner with others to assist us with any or all of these functions. However, we may be unable to find appropriate third parties with whom to enter into these arrangements. Furthermore, if we do enter into these arrangements, these third parties may not perform as expected.

If we are unable to deploy and maintain effective sales and marketing capabilities, we will have difficulty achieving market awareness and selling our products and services.

To achieve commercial success for our Cologuard test and our future products and services, we must continue to develop and grow our sales and marketing organization. We currently have a 245 person sales team, including approximately 200 in a direct field sales force. Our direct sales force calls directly on healthcare providers throughout the United States to initiate sales of our Cologuard test. Our sales organization must explain to healthcare providers the reliability, effectiveness and benefits of Cologuard as compared to existing screening methods such as FOBT and FIT. We may not be able to successfully manage our dispersed sales force. We have also entered into marketing arrangements with independent sales organizations, but we cannot be assured that they will be effective. Because of the competition for their services, we may be unable to partner with or retain additional qualified sales representatives, either as our employees or independent contractors or through independent sales organizations. Further, we may not be able to enter into agreements with sales representatives on commercially reasonable terms, if at all.

Establishing and maintaining sales and marketing capabilities will be expensive and time-consuming. Our expenses associated with maintaining our sales force may be disproportional compared to the revenues we may be able to generate on sales of the Cologuard test.

The success of our Cologuard test depends on the degree of market acceptance by physicians, patients, healthcare payors and others in the medical community.

Our Cologuard test may not gain market acceptance by physicians, healthcare payors and others in the medical community. The degree of market acceptance of our Cologuard test will depend on a number of factors, including:

- its demonstrated sensitivity and specificity for detecting colorectal cancer and pre-cancer;

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- its price;
- the availability of alternative screening methods;
- the willingness of physicians to prescribe Cologuard;
- the interval at which patients are screened using Cologuard; and
- sufficient third-party coverage or reimbursement.

Even if our Cologuard test is superior to other colorectal cancer screening options, adequate third-party reimbursement is obtained and medical practitioners choose to order our Cologuard test, only a small number of people may decide to be screened for colorectal cancer. Despite the availability of current colorectal cancer screening methods as well as the recommendations of the ACS that all Americans age 50 and above be screened for colorectal cancer, approximately 47 percent of these individuals are not screened according to current guidelines. Use of a stool-based DNA colorectal cancer screening test will require people to collect a stool sample, which some people may be reluctant to do. If our Cologuard test does not achieve an adequate level of acceptance, we may not generate material revenues and we may not become profitable.

Our assumptions regarding the market opportunity for Cologuard may not prove true. We estimate the potential market opportunity for Cologuard assuming, among other things, a 30-percent test adoption rate and a three-year screening interval. Although ACS guidelines recommend a three-year screening interval and CMS has determined that Medicare will cover the test at this interval, physicians, healthcare payors, the FDA and other regulators and opinion leaders could recommend a less frequent testing schedule. Further, patients may not comply with the recommended testing interval.

The US Preventative Services Task Force (USPSTF) is expected to issue draft colorectal cancer screening guidelines during the second half of 2015 and final guidelines during the first half of 2016. If USPSTF assigns an "A" or "B" grade to Cologuard, then the Patient Protection and Affordable Care Act will require most private health insurance plans to begin (within one plan year after the new USPSTF recommendation) covering Cologuard without charging the patient any co-pay or deductible. We believe that the grade which USPSTF assigns to Cologuard could significantly affect the market acceptance of our Cologuard test. We cannot provide any assurance that USPSTF will assign Cologuard a positive grade. If USPSTF provides a grade lower than a "B", healthcare professionals may be less likely to recommend Cologuard and healthcare payor coverage of Cologuard could decrease, which could materially and negatively impact our financial results and prospects.

We expect to make significant investments to research and develop new cancer diagnostic tools, which may not be successful.

In addition to commercializing our Cologuard test, we are focused on developing our pipeline for future products, including screening and diagnostic tests for lung cancer, pancreatic cancer and esophageal cancer. Our efforts to develop new cancer diagnostic tools or other products or services may not be successful, may cause us to incur significant expense and may distract our management from successfully commercializing Cologuard. Any new cancer diagnostic tools we develop will be subject to clinical trials and FDA approval, which may be a lengthy and expensive process. There can be no guarantee that we will develop any products that the FDA would approve or that would be commercially viable. If we determine that any of our current or future development programs is unlikely to succeed, we may abandon it without any return on our investment into the program.

We may not be able to successfully establish and maintain collaborative and licensing arrangements, which could adversely affect our ability to develop and commercialize our Cologuard test and any other products and services.

The development and commercialization of our Cologuard test and any other products and services relies, directly or indirectly, upon strategic collaborations and licensing agreements with third parties. We currently

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have collaborative and licensing arrangements with MAYO Foundation for Medical Education and Research and MD Anderson. In addition, we have licensing agreements with Hologic and MDx Health. Such arrangements provide us with intellectual property crucial to our product development, including technology that we have incorporated into our Cologuard test. Our dependence on licensing, collaboration and other similar agreements with third parties may subject us to a number of risks. There can be no assurance that any current contractual arrangements between us and third parties or between our strategic partners and other third parties will be continued and will not be breached or terminated early. Nor can there be any assurance that we will be able to enter into the relationships necessary to successfully commercialize our Cologuard test or any other product or service we may develop. Any failure to obtain or retain the rights to necessary technologies could require us to re-configure our products and services, which could negatively impact their commercial sale or increase the associated costs, either of which could materially harm our business and adversely affect our future revenues.

As we seek to commercialize and market our Cologuard test and develop new products and services, we expect to continue and expand our reliance on collaborative and licensing arrangements. Establishing new strategic collaborations and licensing arrangements is difficult and time-consuming. Discussions with potential collaborators or licensors may not lead to the establishment of collaborations on favorable terms, if at all. To the extent we agree to work exclusively with one collaborator in a given area, our opportunities to collaborate with other entities could be limited. Potential collaborators or licensors may reject collaborations with us based upon their assessment of our financial, regulatory or intellectual property position. Even if we successfully establish new collaborations, these relationships may never result in the successful commercialization of our Cologuard test or any other product or service.

Even though our Cologuard test has received regulatory clearance in the United States, if we do not receive regulatory clearance for Cologuard in other jurisdictions, our prospects may be materially and negatively affected.

Governments in countries outside the United States also regulate diagnostic tests marketed in such countries, and obtaining their approvals can be lengthy, expensive and highly uncertain. The approval process varies from country to country and the requirements governing the conduct of clinical trials, pricing and reimbursement vary greatly from country to country. In certain jurisdictions, we are required to finalize operational, reimbursement, price approval and funding processes prior to marketing our Cologuard test. We may not receive regulatory approval for our Cologuard test in countries other than the United States on a timely basis, if ever. Even if approval is granted in any such country, the approval may require limitations on the uses or availability of our Cologuard test. Failure to obtain regulatory approval for our Cologuard test in territories outside the United States could have a material adverse effect on our business prospects.

We face uncertainty related to healthcare reform, pricing, coverage and reimbursement, which could reduce our revenue.

Recent healthcare reform laws, including the Patient Protection and Affordable Care Act and the Protecting Access to Medicare Act of 2014 ("PAMA"), are significantly affecting the U.S. healthcare and medical services industry. Existing legislation, and possible future legal and regulatory changes, could substantially change the structure and finances of the health insurance system and the methodology for reimbursing medical services, drugs and devices, including our current and future products and services. Any change in reimbursement policy could result in a change in patient co-payments, which could adversely affect patient willingness and ability to use our Cologuard test and any other product or service we may develop. Healthcare reforms, which may intend to reduce healthcare costs, may have the effect of discouraging third-party payors from covering certain kinds of medical products and services, particularly newly developed technologies, such as our Cologuard test.

Even without further legislative reform, there can be no assurance that CMS will maintain its current reimbursement rate for our Cologuard test. If the CMS reimbursement rate for Cologuard is reduced, our

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revenues could be adversely affected. There can be no assurance that CMS and third party payors who initially decide to cover Cologuard will continue to cover Cologuard. A hedge fund has submitted a request that CMS reconsider its reimbursement rate for Cologuard, which was presented at a CMS public meeting on July 16, 2015. We can provide no assurance that CMS will not negatively alter its coverage or reimbursement rate based on this request or otherwise.

Under PAMA, the basis for Cologuard's CMS reimbursement rate is expected to change, beginning in January, 2017. Under PAMA, we expect the CMS reimbursement rate for Cologuard to be tied to the volume-weighted median reimbursement for Cologuard from commercial payors. Therefore, if Cologuard's volume-weighted median commercial reimbursement rate falls below the current CMS reimbursement rate (or the adjusted rate, if CMS determines to adjust the reimbursement rate as a result of the above-referenced request for reconsideration or otherwise) in 2016, we anticipate that the CMS reimbursement rate would decline in 2017.

If we fail to meet any applicable requirements of CLIA or similar state laws, that failure could adversely affect any future payor consideration of our technologies, prevent their approval entirely, and/or interrupt the commercial sale of any products and services and otherwise cause us to incur significant expense.

We are subject to federal and state laws and regulations regarding the operation of clinical laboratories. Federal Clinical Laboratory Improvement Amendments (CLIA) requirements and laws of certain states impose certification requirements for clinical laboratories, and establish standards for quality assurance and quality control, among other things. Clinical laboratories are subject to inspection by regulators, and to sanctions for failing to comply with applicable requirements. Sanctions available under CLIA include prohibiting a laboratory from running tests, requiring a laboratory to implement a corrective plan, and imposing civil monetary penalties. If we fail to meet any applicable requirements of CLIA or state law, that failure could adversely affect any future payor consideration of our technologies, prevent their approval entirely, and/or interrupt the commercial sale of any products and services and otherwise cause us to incur significant expense.

We currently perform our Cologuard test predominantly in one laboratory facility. If this or any future facility or our equipment were damaged or destroyed, or if we experience a significant disruption in our operations for any reason, our ability to continue to operate our business could be materially harmed.

We currently perform our Cologuard test predominantly in a single laboratory facility in Madison, Wisconsin. Our headquarters and manufacturing facilities are also located in Madison, Wisconsin. If these, or any future facilities, were to be damaged, destroyed or otherwise unable to operate, whether due to fire, floods, storms, tornadoes, other inclement weather events or natural disasters, employee malfeasance, terrorist acts, power outages, or otherwise, our business could be severely disrupted. If our Madison, Wisconsin, laboratory is disrupted, we may not be able to perform our Cologuard test or generate test reports as promptly as patients and healthcare providers require or expect, or possibly not at all. If we are unable to perform our Cologuard test or generate test reports within a timeframe that meets patient and healthcare provider expectations, our business, financial results and reputation could be materially harmed.

We currently maintain insurance against damage to our property and equipment and against business interruption and research and development restoration expenses, subject to deductibles and other limitations. If we have underestimated our insurance needs with respect to an interruption, or if an interruption is not subject to coverage under our insurance policies, we may not be able to cover our losses.

Failure in our information technology, storage systems or our clinical laboratory equipment could significantly disrupt our operations and our research and development efforts, which could adversely impact our revenues, as well as our research, development and commercialization efforts.

Our ability to execute our business strategy depends, in part, on the continued and uninterrupted performance of our information technology, or IT, systems, which support our operations, including at our

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clinical laboratory, and our research and development efforts. We are substantially dependent on our IT systems to receive and process Cologuard test orders, securely store patient health records and deliver the results of our Cologuard tests. IT systems are vulnerable to damage from a variety of sources, including telecommunications or network failures, malicious human acts and natural disasters. Moreover, despite network security and back-up measures, some of our servers are potentially vulnerable to physical or electronic break-ins, computer viruses and similar disruptive problems. Despite the precautionary measures we have taken to prevent unanticipated problems that could affect our IT systems, sustained or repeated system failures that interrupt our ability to generate and maintain data, and in particular to operate our clinical laboratory, could adversely affect our ability to operate our business. Any interruption in the operation of IT systems could have an adverse effect on our operations.

We rely on courier delivery services to transport Cologuard collection kits to patients and samples back to our laboratory facility for analysis. If these delivery services are disrupted, customer satisfaction and our business could be negatively impacted.

We ship Cologuard collection kits to patients, and patients ship samples to our Madison, Wisconsin, laboratory facility for analysis, by air and ground express courier delivery service. Disruptions in delivery service, whether due to bad weather, natural disaster, terrorist acts or threats, or for other reasons, can adversely affect customer satisfaction, specimen quality and our ability to provide our services on a timely basis.

We may be subject to substantial costs and liability, or be prevented from using technologies incorporated in our Cologuard test, as a result of litigation or other proceedings relating to patent or other intellectual property rights.

Third parties may assert infringement or other intellectual property claims against our licensors, our licensees, our suppliers, our strategic partners or us. We pursue a patent strategy that we believe provides us with a competitive advantage in the non-invasive early detection of colorectal cancer and pre-cancer and is designed to maximize our patent protection against third parties in the United States and, potentially, in certain foreign countries. We have filed patent applications that we believe cover the methods we have designed and use in our Cologuard test to detect colorectal cancer and pre-cancer. In order to protect or enforce our patent and other intellectual property rights, we may have to initiate actions against third parties. Any actions regarding patents could be costly and time-consuming and divert the attention of our management and key personnel from our business. Additionally, such actions could result in challenges to the validity or applicability of our patents. Because the U.S. Patent & Trademark Office maintains patent applications in secrecy until a patent application publishes or the patent is issued, we have no way of knowing if others may have filed patent applications covering technologies used by us or our partners. Additionally, there may be third-party patents, patent applications and other intellectual property relevant to our technologies that may block or compete with our technologies. From time to time we have received correspondence from third parties alleging to hold intellectual property rights that could block our commercialization of products. While none of these inquiries to date have had any material effect on us, and while we do not believe that any pending correspondence would have such an effect, we may receive inquiries in the future that could have a material effect on our business. Even if third-party claims are without merit, defending a lawsuit may result in substantial expense to us and may divert the attention of management and key personnel. In addition, we cannot provide assurance that we would prevail in any such suits or that the damages or other remedies, if any, awarded against us would not be substantial. Claims of intellectual property infringement may require that we, or our strategic partners, enter into royalty or license agreements with third parties that may only be available on unacceptable terms, if at all. These claims may also result in injunctions against the further development and commercial sale of services or products containing our technologies, which would have a material adverse effect on our business, financial condition and results of operations.

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Also, patents and patent applications owned by us may become the subject of interference proceedings in the U.S. Patent and Trademark Office to determine priority of invention, which could result in substantial cost to us as well as a possible adverse decision as to the priority of invention of the patent or patent application involved. An adverse decision in an interference proceeding may result in the loss of rights under a patent or patent application subject to such a proceeding.

If we are unable to protect our intellectual property effectively, we may be unable to prevent third parties from using our intellectual property, which would impair any competitive advantage we may otherwise have.

We rely on patent protection as well as a combination of trademark, copyright and trade secret protection and other contractual restrictions to protect our proprietary technologies, all of which provide limited protection and may not adequately protect our rights or permit us to gain or keep any competitive advantage. If we fail to protect our intellectual property, third parties may be able to compete more effectively against us and we may incur substantial litigation costs in our attempts to recover or restrict use of our intellectual property. Additionally, the U.S. Congress recently passed the Leahy-Smith America Invents Act, or the America Invents Act, which was signed into law in September 2011. The America Invents Act reforms United States patent law in part by changing the standard for patent approval from a "first to invent" standard to a "first to file" standard and developing a post-grant review system. This new legislation changes United States patent law in a way that may weaken our ability to obtain or maintain patent protection for future inventions in the United States.

We cannot assure you that any of our currently pending or future patent applications will result in issued patents, and we cannot predict how long it will take for any such patents to be issued. Further, we cannot assure you that other parties will not challenge any patents issued to us or that courts or regulatory agencies will hold our patents to be valid or enforceable. We have been in the past, and may be in the future, the subject of opposition proceedings relating to our patents. We cannot guarantee you that we will be successful in defending challenges made against our patents and patent applications. Any successful third-party challenge to our patents could result in co-ownership of such patents with the third party or the unenforceability or invalidity of such patents. Furthermore, in the life sciences field, courts frequently render opinions that may affect the patentability of certain inventions or discoveries, including opinions that may affect the patentability of isolated DNA and/or methods for analyzing or comparing DNA. Such decisions may adversely impact our ability to obtain new patents and facilitate third-party challenges to our existing patents.

If we or our partners fail to comply with regulatory requirements, we may be subject to stringent penalties and our business may be materially adversely affected.

The marketing and sale of our Cologuard test is subject to various state, federal and foreign regulations. We cannot assure you that we or our strategic partners will be able to comply with applicable regulations and regulatory guidelines. If we or our partners, including independent sales representatives, fail to comply with any such applicable regulations and guidelines, we could incur significant liability and/or our partners could be forced to cease offering our products and services in certain jurisdictions.

Healthcare policy has been a subject of extensive discussion in the executive and legislative branches of the federal and many state governments and healthcare laws and regulations are subject to change. Development of the existing commercialization strategy for our Cologuard test has been based on existing healthcare policies. We cannot predict what additional changes, if any, will be proposed or adopted or the effect that such proposals or adoption may have on our business, financial condition and results of operations.

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Our business is subject to various complex laws and regulations. We could be subject to significant fines and penalties if we fail to comply with these regulations.

As a provider of clinical diagnostic products and services, we are subject to extensive and frequently changing federal, state and local laws and regulations governing various aspects of our business. In particular, the clinical laboratory industry is subject to significant governmental certification and licensing regulations, as well as federal and state laws regarding:

- test ordering and billing practices;
- marketing, sales and pricing practices;
- health information privacy and security, including the Health Insurance Portability and Accountability Act of 1996, or HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, or HITECH, and comparable state laws;
- insurance;
- anti-markup legislation; and
- consumer protection.

We are also required to comply with FDA regulations, including with respect to our labeling and promotion activities. In addition, advertising of our tests is subject to regulation by the Federal Trade Commission, or FTC. Violation of any FDA requirement could result in enforcement actions, such as seizures, injunctions, civil penalties and criminal prosecutions, and violation of any FTC requirement could result in injunctions and other associated remedies, all of which could have a material adverse effect on our business. Most states also have similar regulatory and enforcement authority for devices. Additionally, most foreign countries have authorities comparable to the FDA and processes for obtaining marketing approvals. Obtaining and maintaining these approvals, and complying with all laws and regulations, may subject us to similar risks and delays as those we could experience under FDA and FTC regulation. We incur various costs in complying and overseeing compliance with these laws and regulations.

If we fail to comply with these laws and regulations, we could incur significant fines and penalties and our reputation and prospects could suffer.

Some of our activities may subject us to risks under federal and state laws prohibiting 'kickbacks' and false or fraudulent claims.

In addition to FDA marketing restrictions, several other types of state and federal healthcare fraud and abuse laws have been applied in recent years to restrict certain marketing practices in the healthcare product and service industry and to regulate billing practices and financial relationships with physicians, hospitals and other healthcare providers. These laws include a federal law commonly known as the Medicare/Medicaid anti-kickback law, and several similar state laws, which prohibit payments intended to induce physicians or others either to refer patients or to acquire or arrange for or recommend the acquisition of healthcare products or services. While the federal law applies only to referrals, products or services for which payment may be made by a federal healthcare program, state laws often apply regardless of whether federal funds may be involved. These laws constrain the sales, marketing and other promotional activities of manufacturers of medical devices and providers of laboratory services by limiting the kinds of financial arrangements, including sales programs that may be used with hospitals, physicians, laboratories and other potential purchasers or prescribers of medical devices and laboratory services. Other federal and state laws generally prohibit individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payors that are false or fraudulent, or are for items or services that were not provided as claimed. Anti-kickback and false claims laws prescribe civil and criminal penalties (including fines) for noncompliance that can be substantial. While we continually strive to comply with these complex requirements, interpretations of the applicability of these laws to marketing and billing practices is constantly evolving and even an unsuccessful challenge could cause adverse publicity and be costly to respond to, and thus could harm our business and prospects. Our failure

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to comply with applicable laws could result in various adverse consequences which could have a material adverse effect upon our business, including the exclusion of our products and services from government programs and the imposition of civil or criminal sanctions.

The success of our business is substantially dependent upon the efforts of our senior management team.

Our success depends largely on the skills, experience and performance of key members of our senior management team including Kevin Conroy, our President and Chief Executive Officer, Maneesh Arora, our Senior Vice President and Chief Operating Officer, and Dr. Graham Lidgard, our Senior Vice President and Chief Science Officer. These executives are critical to directing and managing our growth and development in the future. Our success is substantially dependent upon our senior management's ability to lead our company, implement successful corporate strategies and initiatives, develop key relationships, including relationships with collaborators and business partners, and successfully commercialize products and services in the United States and abroad. While our management team has significant experience in securing FDA approvals for diagnostic products, we have considerably less experience in commercializing a product or service. The efforts of our management team will be critical to us as we develop our technologies and seek to commercialize our Cologuard test and other FDA approved products and services.

Our success depends on our ability to retain our managerial personnel and to attract additional personnel.

Our success depends in large part on our ability to attract and retain managerial personnel. If we were to lose any of our senior management team, we may experience difficulties in competing effectively, developing our technologies and implementing our business strategies. Competition for desirable personnel is intense, and there can be no assurance that we will be able to attract and retain the necessary staff. The failure to maintain management or to attract sales pe