Tempus AI Inc

TEM: Solid Oncology and Data Quarter; Softer Than Expected Hereditary

Equities

United States
Healthcare Providers

12-month rating	**Neutral**
12m price target	**US$80.00**
Price (02 Nov 2026)	**US$79.83**

RIC: TEM.O **BBG:** TEM US

Trading data and key metrics

52-wk range	US$88.71-41.55
Market cap.	US$14.5b
Shares o/s	181m (COM)
Free float	61%
Avg. daily volume ('000)	6,952
Avg. daily value (m)	US$478.8
Common s/h equity (12/26E)	US$0.55b
P/BV (12/26E)	23.9x
Net debt to EBITDA (12/26E)	8.5x

EPS (UBS, diluted) (USD)

	12/26E			
	From	To	% ch	Cons.
Q1	(0.31)	(0.31)	NM	(0.13)
Q2	(0.04)	(0.04)	NM	(0.04)
Q3	(0.08)	(0.20)	NM	(0.08)
Q4E	(0.02)	(0.04)	NM	(0.01)
12/26E	(0.45)	(0.58)	NM	(0.26)
12/27E	(0.04)	(0.17)	NM	(0.04)
12/28E	0.72	0.61	-15	0.58

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OUR TAKE

This was generally a good update: Oncology volumes were in line with our model, Data & Applications revenue (+33% Y/Y) beat expectations, and adjusted EBITDA beat the Street; the partial offset was softer than expected Hereditary. While we reiterate our Neutral at this valuation, the risk/reward improved on this print.

Q3 RESULTS

Oncology: Q3 Oncology revenue was $173MM (+28% Y/Y; Street: $176MM) with ~102K clinical oncology tests performed (+32% Y/Y; in line with Street). CGP volume increased ~22% Y/Y, while NeXT MRD volumes grew 33% Q/Q to ~12K tests. **Hereditary:** Revenue was $111MM (Street: $114MM), with volumes ~143K tests (+2% Y/Y; Street: ~149K). **Data & Applications:** Revenue was $108MM (+33% Y/Y; Street: $104MM), with Insights/data licensing and modeling +29% Y/Y. **Profitability:** Non-GAAP gross margin expanded 230bps Y/Y to 66%, while adj. EBITDA increased to $26MM (Street: $18MM) from ~$2MM last year.

GUIDANCE

TEM raised FY26 revenue guidance to $1.60-$1.605B (prior $1.595 - $1.605B) while maintaining adjusted EBITDA guidance at ~$65MM. Hereditary growth is now expected to reach low-to-mid double digits by year-end, which is slower than mid-teens expected last quarter.

INCREMENTAL COLOR FROM THE COMPANY

- **PSNL/ MRD:** Personalis' shareholder vote scheduled for *November 30 and closing expected in December*. Management expects higher 2027 volumes as ASPs rise and additional sales reps begin selling NeXT. TEM revenues will be increased by PSNL revenues, offset by the ~$400/test PSNL was paying to TEM under the commercial agreement. For reference, consensus models reflect ~$100MM and ~$146MM 2027 and 2028 PSNL revenue, respectively.
- **Hereditary:** Volume and revenues were below consensus, but daily requisitions improved to ~13% y/y growth in September and ~12% in October. This supports management's expectation for growth to return to low-to-mid double digits by year-end.
- **Oncology:** Management continues to expect ~$80MM of benefit in 2027 from migrating remaining xT volume to the $4,500 ADLT reimbursement rate beginning January 1. For xF, management assumes ~$7,500 CMS reimbursement following FDA approval, with reimbursement potentially beginning later in 2027.

Highlights (US$m)	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Revenues	693	1,272	1,600	1,970	2,382	2,866	3,290
EBIT (UBS)	(143)	(47)	(10)	24	187	434	651
Net earnings (UBS)	(189)	(106)	(105)	(31)	114	329	523
EPS (UBS, diluted) (US$)	(1.58)	(0.61)	(0.58)	(0.17)	0.61	1.77	2.79
DPS (net) (US$)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net (debt) / cash	341	(635)	(552)	(448)	(249)	131	712

Profitability/valuation	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
EBIT (UBS) margin %	(20.7)	(3.7)	(0.6)	1.2	7.8	15.1	19.8
ROIC (EBIT) %	50.4	(11.2)	(0.9)	2.2	17.0	38.5	56.3
EV/EBITDA (UBS core) x	NM	NM	>100	>100	47.9	24.8	17.0
P/E (UBS, diluted) x	(29.7)	NM	NM	NM	NM	40.9	25.8
Equity FCF (UBS) yield %	(3.0)	(2.2)	0.6	0.7	1.4	2.6	4.0
Dividend yield (net) %	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company accounts, LSEG Eikon, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US$ 79.60 on 02-Nov-2026 16:37:20 EST

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IMPLICATIONS FOR OUR MODEL/ THESIS

Our updated estimates reflect revised FY26 guidance, with the quarter leaving our broader investment thesis largely intact. Our topline moves slightly to $1,600MM in 2026 (prior $1,595MM), whilst 2027 revenue moves to $1,970MM (prior $1,972MM). We continue to apply a ~6x EV/Sales multiple (unchanged) on blended 2027/2028 sales, and arrive at an $80 PT (unchanged). We reiterate our Neutral rating.

Figure 1: TEM Q3:26 Variance Table and Guidance

TEMPUS AI VARIANCE TABLE

KEY P&L METRICS ($MM)

	Q3:26				
	Consensus	UBS	Actual	Δ	Comments
Revenue	$408	$409	$412	1%	*BEAT - represent 23% y/y growth*
Gross Margin	65.0%	64.5%	65.9%	+87bp	*BEAT - driven by Diagnostics ASP improvements and efficiencies in labs, along with growth in our Data & Applications product line, which operates at a higher margin*
Adj. EBITDA	$18	$20	$26	40%	*BEAT*

KEY SEGMENT METRICS ($MM)

	Q3:26				
	Consensus	UBS	Actual	Δ	Comments
Diagnostics - Sales	$304	$253	$303	0%	*IN LINE*
Clinical Oncology - Sales	$176	$177	$173	-2%	*MISS - ASP was however down vs Q2, at $1700 because of MRD , ex-MRD ASP was $1880 vs $1850 in Q2*
Clinical Oncology - Volume	101,537	102,041	101,500	0%	*IN LINE*
Hereditary Cancer (Ambry) - Sales	$114	$114	$111	-2%	*MISS - now anticipate growth rates that reach low to mid double digits by year end, previously mid-teens*
Hereditary Cancer (Ambry) - Volume	149,377	147,630	143,000	-4%	*MISS - moderated as share gains from competitors decelerated, expect stable growth in 2027*
Data and Applications	$104	$107	$108	3%	*BEAT*

	Q1:26	Q2:26	Q3:26
MRD	6,500	9,000	12,000

	Q3:26				
Non-GAAP Gross Margins	Consensus	UBS	Actual	Δ	Comments
Gross Margin - Overall	65.0%	64.5%	65.9%	+87bp	*BEAT*
Diagnostics		62.7%	62.4%		*Diagnostics ASP improvements and efficiencies in labs*
Data and Applications		75.0%	75.0%		*Higher margin business*

2026 GUIDANCE ($MM)

	Consensus	Old	New	Comments
TOTAL REVENUE	$1,594	**$1,595 - 1,605**	**$1,600 - $1,605**	*Represents ~25% growth*
KEY P&L METRICS				
Adj. EBITDA	$64	$65	$65	*Assumes no impact from PSNL transaction, expected to close December*

Source: UBS Research, Company Reports, Visible Alpha

Tempus AI Inc (TEM.O)

Income Statement (US$m)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
Revenues	**-**	**693**	**1,272**	**1,600**	*25.8*	**1,970**	*23.1*	**2,382**	**2,866**	**3,290**
Gross profit	-	404	808	1,050	*30.0*	1,308	*24.5*	1,610	1,966	2,290
EBITDA (UBS)	**-**	**(105)**	**(7)**	**65**	*-*	**129**	*98.3*	**282**	**534**	**750**
Depreciation & amortisation	-	(39)	(40)	(75)	*-88.2*	(106)	*-41.1*	(95)	(100)	(99)
EBIT (UBS)	**-**	**(143)**	**(47)**	**(10)**	*79.4*	**24**	*-*	**187**	**434**	**651**
Associates & investment income	-	0	0	0	*-*	0	*-*	0	0	0
Other non-operating income	-	0	(19)	16	*-*	0	*-*	0	0	0
Net interest	-	(43)	(58)	(22)	*61.3*	(55)	*-144.8*	(55)	(51)	(43)
Exceptionals (incl goodwill)	-	0	0	0	*-*	0	*-*	0	0	0
Pre-tax profit	**-**	**(186)**	**(124)**	**(16)**	*87.3*	**(31)**	*-97.1*	**132**	**383**	**608**
Tax	-	0	(52)	0	*-*	0	*-*	(19)	(54)	(85)
Profit after tax	**-**	**(186)**	**(176)**	**(16)**	*91.1*	**(31)**	*-97.1*	**114**	**329**	**523**
Preference dividends	-	0	0	0	*-*	0	*-*	0	0	0
Minorities	-	0	0	0	*-*	0	*-*	0	0	0
Extraordinary items	-	(3)	70	(90)	*-*	0	*-*	0	0	0
Net earnings (local GAAP)	**-**	**(189)**	**(106)**	**(105)**	*0.3*	**(31)**	*70.6*	**114**	**329**	**523**
Net earnings (UBS)	**-**	**(189)**	**(106)**	**(105)**	*0.3*	**(31)**	*70.6*	**114**	**329**	**523**
Tax rate (%)	-	0.0	0.0	0.0	*-*	0.0	*-*	14.0	14.0	14.0

Per Share (US$)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
EPS (UBS, diluted)	-	(1.58)	(0.61)	(0.58)	*4.0*	(0.17)	*70.7*	0.61	1.77	2.79
EPS (local GAAP, diluted)	-	(1.58)	(0.61)	(0.58)	*4.0*	(0.17)	*70.7*	0.61	1.77	2.79
EPS (UBS, basic)	-	(1.58)	(0.61)	(0.58)	*4.0*	(0.17)	*70.7*	0.61	1.77	2.79
DPS (net) (US$)	-	0.00	0.00	0.00	*-*	0.00	*-*	0.00	0.00	0.00
Cash EPS (UBS, diluted) [1]	-	(1.25)	(0.38)	(0.17)	*55.3*	0.41	*-*	1.13	2.31	3.32
Book value per share	-	0.36	2.84	3.02	*6.2*	3.56	*17.9*	4.65	6.84	10.05
Average shares (diluted)	-	120	174	181	*3.9*	181	*0.2*	185	186	187

Balance Sheet (US$m)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
Cash and equivalents	-	341	605	691	*14.2*	692	*0.2*	890	1,271	1,851
Other current assets	-	327	562	634	*12.7*	721	*13.7*	813	919	1,005
Total current assets	**-**	**668**	**1,167**	**1,325**	*13.5*	**1,413**	*6.6*	**1,704**	**2,190**	**2,857**
Net tangible fixed assets	-	58	89	83	*-7.2*	76	*-8.2*	68	58	47
Net intangible fixed assets	-	85	825	741	*-10.2*	675	*-8.9*	628	585	552
Investments / other assets	0	115	193	194	*0.4*	194	*0.0*	194	194	194
Total assets	**-**	**926**	**2,275**	**2,343**	*3.0*	**2,358**	*0.6*	**2,593**	**3,026**	**3,649**
Trade payables & other ST liabilities	-	291	373	383	*2.6*	401	*4.9*	420	441	458
Short term debt	-	0	0	0	*-*	0	*-*	0	0	0
Total current liabilities	**-**	**291**	**373**	**383**	*2.6*	**401**	*4.9*	**420**	**441**	**458**
Long term debt	-	0	1,240	1,242	*0.2*	1,140	*-8.3*	1,140	1,140	1,140
Other long term liabilities	-	579	172	172	*0.0*	172	*0.0*	172	172	172
Preferred shares	-	0	0	0	*-*	0	*-*	0	0	0
Total liabilities (incl pref shares)	**-**	**870**	**1,784**	**1,797**	*0.7*	**1,712**	*-4.7*	**1,731**	**1,752**	**1,769**
Common s/h equity	**-**	**56**	**491**	**546**	*11.2*	**645**	*18.1*	**862**	**1,274**	**1,880**
Minority interests	-	0	0	0	*-*	0	*-*	0	0	0
Total liabilities & equity	**-**	**926**	**2,275**	**2,343**	*3.0*	**2,358**	*0.6*	**2,593**	**3,026**	**3,649**

Cash Flow (US$m)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
Net income (before pref divs)	-	(189)	(106)	(105)	*0.3*	(31)	*70.6*	114	329	523
Depreciation & amortisation	-	39	40	75	*88.2*	106	*41.1*	95	100	99
Net change in working capital	-	(38)	(179)	(62)	*65.3*	(68)	*-9.9*	(74)	(85)	(69)
Other operating	-	(1)	26	202	*NM*	130	*-35.8*	103	83	83
Operating cash flow	**-**	**(189)**	**(218)**	**110**	*-*	**136**	*24.2*	**238**	**428**	**635**
Tangible capital expenditure	-	(22)	(21)	(26)	*-25.8*	(33)	*-23.1*	(39)	(47)	(54)
Intangible capital expenditure	-	0	(6)	0	*-*	0	*-*	0	0	0
Net (acquisitions) & disposals	-	0	0	0	*-*	0	*-*	0	0	0
Other investing	-	(108)	(371)	0	*-*	0	*-*	0	0	0
Investing cash flow	**-**	**(130)**	**(398)**	**(26)**	*93.4*	**(33)**	*-23.1*	**(39)**	**(47)**	**(54)**
Equity dividends paid	-	(6)	0	0	*-*	0	*-*	0	0	0
Share issues / (buybacks)	-	382	192	0	*-*	0	*-*	0	0	0
Other financing	-	(82)	682	0	*-*	0	*-*	0	0	0
Change in debt & pref shares	-	200	9	3	*-68.7*	(103)	*-*	0	0	0
Financing cash flow	**-**	**494**	**884**	**3**	*-99.7*	**(103)**	*-*	**0**	**0**	**0**
Cash flow inc/(dec) in cash	**-**	**175**	**267**	**86**	*-67.7*	**1**	*-98.7*	**198**	**380**	**581**
FX / non cash items	-	-	(4)	0	*92.4*	0	*-*	0	0	0
Balance sheet inc/(dec) in cash	**-**	**-**	**264**	**86**	*-67.4*	**1**	*-98.7*	**198**	**380**	**581**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.[1] Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

Tempus AI Inc (TEM.O)

Valuation (x)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
P/E (local GAAP, diluted)	-	NM	NM	NM	NM	NM	45.2	28.6
P/E (UBS, diluted)	-	(29.7)	NM	NM	NM	NM	45.2	28.6
P/CEPS	-	NM	NM	NM	NM	64.0	31.3	21.7
Equity FCF (UBS) yield %	-	(3.0)	(2.2)	0.6	0.7	1.4	2.6	4.0
Dividend yield (net) %	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0
P/BV	-	NM	22.9	23.9	20.3	15.5	10.6	7.2
EV/revenues (core)	-	9.7	8.7	8.6	6.9	5.7	4.6	3.9
EV/EBITDA (UBS core)	-	NM	NM	>100	>100	47.9	24.8	17.0
EV/EBIT (core)	-	NM	NM	NM	>100	72.3	30.5	19.6
EV/OpFCF (core)	-	NM	NM	NM	NM	NM	NM	NM
EV/op. invested capital	-	-	26.4	12.4	12.5	12.3	11.7	11.0

Enterprise value (US$m)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Market cap.	-	7,070	10,953	14,473	14,473	14,473	14,473	14,473
Net debt (cash)	-	(341)	147	593	500	349	59	(421)
Buy out of minorities	-	0	0	0	0	0	0	0
Pension provisions/other	-	0	0	0	0	0	0	0
Total enterprise value	**-**	**6,729**	**11,100**	**15,066**	**14,973**	**14,822**	**14,532**	**14,052**
Non core assets	-	0	0	0	0	0	0	0
Core enterprise value	**-**	**6,729**	**11,100**	**15,066**	**14,973**	**14,822**	**14,532**	**14,052**

Growth (%)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Revenue	-	-	83.4	25.8	23.1	21.0	20.3	14.8
EBITDA (UBS)	-	-	92.9	-	98.3	118.6	89.1	40.4
EBIT (UBS)	-	-	67.1	79.4	-	NM	131.8	50.2
EPS (UBS, diluted)	-	-	61.5	4.0	70.7	-	187.7	58.1
Net DPS	-	-	-	-	-	-	-	-

Margins & Profitability (%)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Gross profit margin	-	58.3	63.5	65.7	66.4	67.6	68.6	69.6
EBITDA margin	-	NM	NM	4.1	6.6	11.8	18.6	22.8
EBIT (UBS) margin	-	(20.7)	(3.7)	(0.6)	1.2	7.8	15.1	19.8
Net earnings (UBS) margin	-	NM	NM	NM	NM	4.8	11.5	15.9
ROIC (EBIT)	-	50.4	NM	NM	2.2	17.0	38.5	56.3
ROIC post tax	-	50.4	NM	NM	2.2	14.6	33.1	48.4
ROE (UBS)	-	(335.7)	(38.6)	(20.3)	(5.2)	15.1	30.8	33.2

Capital structure & Coverage (x)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Net debt / EBITDA	-	3.3	(85.9)	8.5	3.5	0.9	(0.2)	(0.9)
Net debt / total equity %	-	NM	129.2	101.0	69.4	28.9	(10.3)	(37.9)
Net debt / (net debt + total equity) %	-	NM	56.4	50.2	41.0	22.4	(11.5)	(60.9)
Net debt/EV %	-	-	1.3	3.9	3.3	2.4	0.4	(3.0)
Capex / depreciation %	-	57.2	52.9	35.4	30.9	41.4	47.3	55.2
Capex / revenue %	-	3.2	1.7	1.7	1.7	1.7	1.7	1.7
EBIT / net interest	-	-	-	-	0.4	3.4	8.6	15.2
Dividend cover (UBS)	-	-	-	-	-	-	-	-
Div. payout ratio (UBS) %	-	-	-	-	-	-	-	-

Revenues by division (US$m)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Others	*	693	1,272	1,600	1,970	2,382	2,866	3,290
Total	**-**	**693**	**1,272**	**1,600**	**1,970**	**2,382**	**2,866**	**3,290**

EBIT (UBS) by division (US$m)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Others	*	(143)	(47)	(10)	24	187	434	651
Total	**-**	**(143)**	**(47)**	**(10)**	**24**	**187**	**434**	**651**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	0.5%
Forecast dividend yield	0.0%
Forecast stock return	0.5%
Market return assumption	9.6%
Forecast excess return	-9.1%

Company Description

Tempus AI is a precision medicine company that combines genomic testing, clinical data, and artificial intelligence to improve cancer diagnosis, treatment selection, and drug development. The business is built around two core growth engines: its oncology testing franchise, led by xT tissue profiling and xF liquid biopsy, and its higher-growth data & services segment, which monetizes one of the industry's largest multimodal clinical and molecular datasets.

Valuation Method and Risk Statement

Our $80 PT is based on ~6x our 2027 and 2028 blended sales forecasts.
• Upside risk: Reimbursement catalysts, Personalis integration benefits, MRD expansion, and monetization of the data platform drive growth and profitability above expectations.
• Downside risk: Emerging growth drivers such as MRD and data services scale more slowly than expected, while reimbursement and regulatory catalysts are delayed.

Quantitative Research Review

UBS Global Research publishes a quantitative assessment of its analysts' responses to certain questions about the likelihood of an occurrence of a number of short term factors in a product known as the 'Quantitative Research Review'. The views for this month can be found below. Views contained in this assessment on a particular stock reflect only the views on those short term factors which are a different timeframe to the 12-month timeframe reflected in any equity rating set out in this note. For previous responses please make reference to (i) previous UBS Global Research reports; and (ii) where no applicable research report was published that month, the Quantitative Research Review which can be found at https://neo.ubs.com/quantitative, or contact your UBS sales representative for access to the report or the Quantitative Research Team on ubs-quant-answers@ubs.com. A consolidated report which contains all responses is also available and again you should contact your UBS sales representative for details and pricing or the Quantitative Research Team on the email above.

Tempus AI Inc

Question	Response
1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view)	3
2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher 3 = no change, 5 = getting better, N/A = no view)	3
3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view)	3
4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view)	3
5. What's driving the difference?	
6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of:(1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view)	3
7. What's driving the difference?	
8. Is there an upcoming catalyst for the company over the next three months?	No Catalyst
9. Is there an actual or approximate date for the catalyst?	
10. Is the catalyst date an actual or approximate date?	
11. What is the catalyst?	

