

MARKET-STRATEGY THESIS

TEMPUS AI · NASDAQ: TEM

Commercializing Precision Medicine

*A market-strategy thesis on Tempus AI's B2B and
B2B2C health-tech platform.*

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I Executive Summary

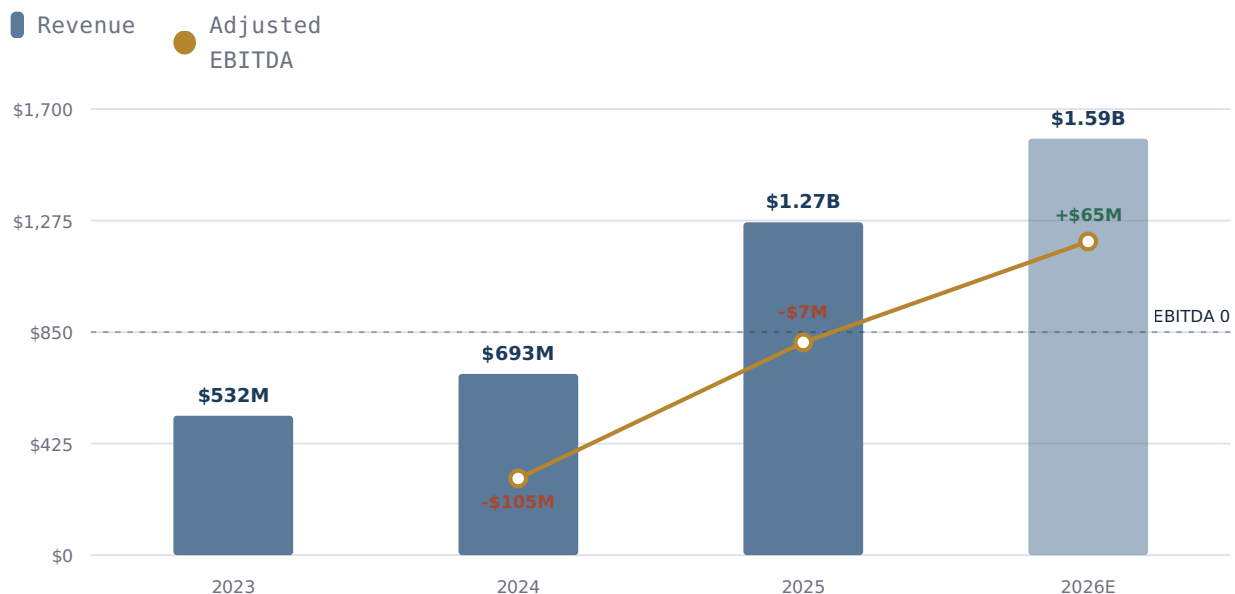
THE THESIS

Tempus has answered the profitability question on adjusted terms. The harder question is now open: can a data-and-diagnostics platform convert a structural data moat into *durable, GAAP-positive economics* before the market's patience runs out.

The lens. This reads Tempus across three dimensions at once. The science that makes the data defensible. The clinical workflows that make it adopted. The commercial model that has to make it pay. Most coverage picks one. The interesting story sits where all three meet.

FIGURE 1 · THE TRAJECTORY

Revenue scale and the crossing toward profitability



FY2023–FY2026E. Revenue in USD millions. Adjusted EBITDA crosses zero into positive guidance for 2026. The whole argument of this analysis lives in that crossing.¹²

Tempus AI is a Chicago health-tech company that turns multimodal clinical, molecular, and imaging data into AI-driven precision-medicine products. It went public in June 2024 under the ticker TEM, raising roughly \$411 million at a \$6.1 billion valuation.³ Two years later it is no longer a story about whether the model works. It is a story about *how durable the economics are*.

When I first audited this company in mid-2025, the open question was profitability. Revenue was scaling fast, but the net loss was large and the path to breakeven was a forecast, not a fact. That question has largely closed. The 2025 results and 2026 guidance show a company that has reached adjusted-EBITDA breakeven and is guiding to its first full year of adjusted profitability. The strategic tension has moved. It now sits between a defensible data moat and the market's demand for proof that the moat converts to cash.

Key findings

01 Growth has compounded, and the loss has narrowed sharply.

2025 revenue reached \$1.27 billion, up 83 percent year over year, led by Diagnostics growth of 112 percent. Net loss narrowed to \$245 million from \$706 million in 2024. Adjusted EBITDA improved by \$97 million to nearly breakeven, and the fourth quarter turned positive.¹

02 The moat is data scale plus distribution, not any single product.

Tempus now holds more than 500 petabytes of multimodal data across 45 million de-identified patient journeys, connects more than 9,000 providers, and partners with the majority of top-20 pharma. Network effects and pharma licensing, anchored by the AstraZeneca and Pathos foundation-model work, are difficult to replicate.^{4 5}

03 The headwind is now perception and GAAP economics, not the growth rate.

The stock sits near \$52, roughly half its October 2025 high, even as the business accelerated. GAAP losses persist, driven substantially by stock-based compensation and, in Q1 2026, unrealized losses on marketable equity securities. Analysts are split between the data moat and unproven long-run monetization.^{6 7}

What the company should do

Three priorities follow, developed in Section VIII. First, make the profitability narrative the spine of all messaging, because the adjusted-to-GAAP gap is now the central investor objection. Second, deepen pharma and real-world-evidence licensing, because that is the highest-margin

lever and the clearest moat. Third, lead on independent validation and AI governance, because trust is the constraint that gates enterprise health-tech adoption and it is where a short-seller already drew blood.

Tempus stands at a clean inflection. The model is proven on adjusted terms. The work ahead is converting a data advantage into economics the market will underwrite.

II The Platform Model

Tempus was founded in 2015 by Eric Lefkowsky, a co-founder of Groupon, after his wife's cancer diagnosis. The origin is personal and it shapes the strategy. The company sells the same underlying asset, a large multimodal data platform, into two motions at once.³

The first is diagnostics. Tempus sells AI-enabled genomic and molecular tests to clinicians and health systems. The second is data and applications. Tempus licenses de-identified, linked clinical and molecular data, and increasingly AI models built on it, to pharma and biotech. The diagnostics business builds the data asset through routine clinical use. The data business monetizes that asset at high margin. Each motion feeds the other. That loop is the model.

CORE PRODUCT LINES

- **Diagnostics.** NGS oncology assays such as xT and xR, the xH whole-genome test, hereditary testing through Ambry, liquid biopsy, and MRD monitoring. More than 200,000 clinical tests run per quarter.
- **Data and applications.** Insights licenses linked, de-identified data libraries to life-science partners. Lens is an agentic AI platform for drug development. Together these are the high-margin engine.
- **Clinical AI tools.** Tempus One is a generative clinical assistant. David is a generative co-pilot now embedded in the Northwestern Medicine EHR. Next is an AI care-pathway product expanded into six new clinical scenarios across breast, colorectal, ovarian, prostate, and urothelial cancers.⁸

Who buys, and what they value

Health systems and clinicians want scalable diagnostics and decision support at the point of care. Pharma and biotech want real-world data and AI tooling that shortens and de-risks trials. Payers want predictive analytics for cost and utilization. Researchers want depth of linked data. The platform serves all four from one asset, which is the structural reason Tempus is hard to category-match against single-product competitors.

III Business & Operations

The hybrid B2B and B2B2C posture is not jargon. It is the operating reason Tempus can fund a capital-intensive data platform with diagnostics volume while harvesting margin from licensing. Scale and reach are not vanity metrics in precision medicine. They are the moat.

500+ PB Multimodal data across 45M patient journeys 2026	9,000+ Connected providers across the Tempus network Q1 2026	~3,800 Employees across science, engineering, commercial 2025	126% Net revenue retention on data licensing FY2025
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Strategic partnerships

The partnership book is the clearest evidence of moat quality. Each deal is a door into a revenue stream that compounds rather than a one-time announcement.

- **AstraZeneca and Pathos.** A collaboration worth more than \$200 million to build the largest multimodal oncology foundation model, with licensing and model-development fees flowing to Tempus.⁵
- **Merck.** An expanded multi-year collaboration to discover and develop precision-medicine biomarkers across oncology and beyond.⁸
- **Boehringer Ingelheim, Takeda, Illumina, Recursion.** Multi-year data, modeling, and genomic-AI collaborations that widen the partner base across pharma and platform.
- **NYU Langone and Northwestern Medicine.** Health-system collaborations that both deepen the data asset and embed Tempus tools directly into clinical workflows.⁴
- **Medtronic.** The ALERT cardiology study showed EHR-integrated clinician notifications improving timely treatment, extending the platform beyond oncology.⁷

Operational differentiators

Acquisitions have been deliberate, not opportunistic. Ambry Genetics added hereditary testing scale and volume. Paige added a proprietary digital-pathology dataset of nearly seven million annotated slides and a leading pathology-AI team. Deep 6 AI and OneOme extended trial-matching and pharmacogenomics. Each acquisition feeds the same flywheel: more data in, more defensible models out.⁹

The asset is not the test or the model. It is the compounding loop between routine clinical volume and high-margin data licensing.

IV Financial Performance

2025 was the year the financial story changed character. Revenue scaled past \$1.27 billion and the loss profile inverted on an adjusted basis. The fourth quarter delivered the first positive adjusted EBITDA, and 2026 guidance points to the first full year of it.¹

Revenue and profitability

Full-year 2025 revenue reached \$1.27 billion, up 83 percent. Diagnostics generated \$955 million, up 112 percent, with oncology volume up 26 percent. Data and applications generated \$316 million, up 31 percent, with the higher-margin Insights licensing line up 38 percent. Gross profit more than doubled to \$798 million. Net loss narrowed to \$245 million from \$706 million in 2024, with \$136 million of that 2025 loss attributable to stock compensation. Adjusted EBITDA finished at negative \$7.4 million, an improvement of \$97 million year over year.¹

FIGURE 2 · SEGMENT MIX

Where the 2025 revenue came from



Diagnostics carries the volume; data carries the margin. Diagnostics is 75 percent of revenue and builds the data asset. Data and applications is smaller but higher margin and is the clearest expression of the moat. FY2025, USD millions.¹

The 2026 setup

Management guides 2026 revenue to roughly \$1.59 to \$1.60 billion, about 25 percent growth, with adjusted EBITDA of approximately \$65 million. First-quarter 2026 revenue came in at \$348 million, up 36 percent, and the company raised guidance. The growth rate is decelerating as the base scales, which is expected, while the margin profile is inflecting upward, which is the point.²⁶

TABLE 1 • KEY METRICS, FY2023–FY2026E

Metric	2023	2024	2025	2026E
Revenue	\$531.8M	\$693.4M	\$1,270M	~\$1,590M
Revenue growth	—	+30.4%	+83.4%	~+25%
Gross profit	\$286M	\$381M	\$798M	—
Net loss	(\$214M)	(\$706M)	(\$245M)	—
Adjusted EBITDA	—	(~\$105M)	(\$7.4M)	~+\$65M
Net revenue retention	—	—	126%	—

Valuation and sentiment

This is where the story gets interesting. The business accelerated through 2025, yet the stock tells a more cautious tale. TEM traded near \$52 in late June 2026, against a 52-week high of \$104 in October 2025 and a low near \$42 in March 2026. Market capitalization sits in the range of roughly \$9 billion. Analyst consensus is a Buy with an average target near \$66, but coverage is genuinely split. Some firms underwrite the differentiated data moat. Others, including a recent Peer Perform initiation, want clarity on long-run monetization before paying up.⁶

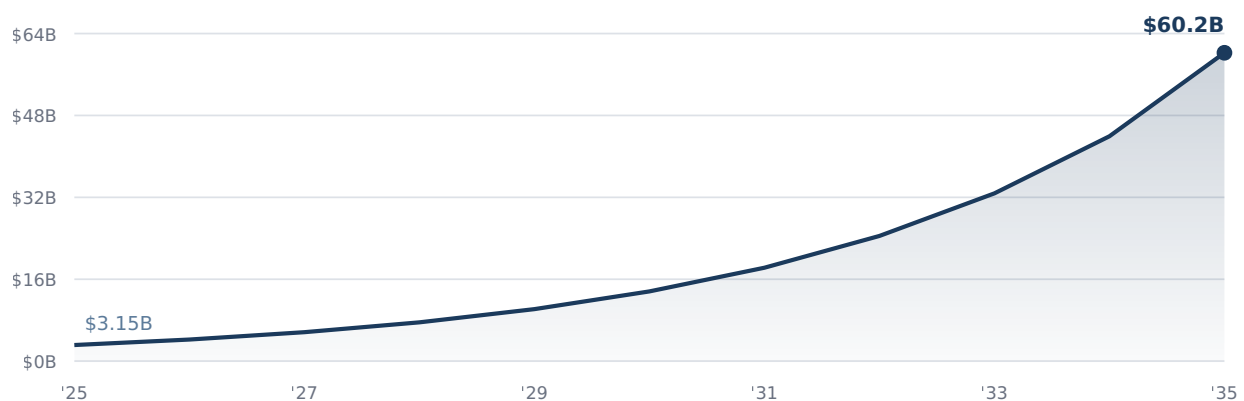
The gap between operational acceleration and a halved share price is the single most important fact in this analysis. It says the market has accepted the growth and is now pricing the risk that adjusted profitability does not translate cleanly into GAAP cash generation.

V Market & Competition

Tempus operates in two nested markets. The broad precision-medicine market is large and growing steadily. The AI-in-precision-medicine layer inside it is smaller and growing far faster. Tempus sits at that faster layer.

FIGURE 3 • MARKET EXPANSION

AI in precision medicine, 2025 to 2035



A roughly 34 percent compound growth rate. The AI-in-precision-medicine market is projected to expand from about \$3.15 billion in 2025 to about \$60 billion by 2035. The broader precision-medicine market is larger, near \$119 billion in 2025, but compounds slower at about 16 percent.¹⁰

Within the AI-powered precision-medicine platform segment, 2026 market research lists Tempus among the leading companies and describes its US position as dominant, alongside competitors such as Foundation Medicine, Illumina, Guardant Health, Sophia Genetics, and Veracyte. That segment alone is projected to grow from roughly \$11.7 billion in 2025 toward \$37 billion by 2034.¹¹

Competitive landscape

The competitive set is heavyweight and uneven. Foundation Medicine, owned by Roche, and Illumina compete on genomics and diagnostics. Guardant Health competes in liquid biopsy. Larger technology firms such as Microsoft, NVIDIA, and Alphabet's health efforts bring compute and model capability but lack Tempus's clinically linked, longitudinal data depth. The

differentiator that holds across all of them is the same. Tempus has scaled, real-world, multimodal data that is wired into clinical workflows. Compute is buyable. That data asset is not.

SWOT · TEMPUS AI, 2026

The strategic position resolves cleanly into four quadrants.

STRENGTHS

- Largest linked multimodal clinical-genomic dataset in the field
- Deep pharma partnerships and high-margin data licensing
- Diagnostics-to-data flywheel with 126 percent net revenue retention
- First-mover in real-world evidence wired into clinical practice

WEAKNESSES

- Persistent GAAP net losses and heavy stock compensation
- High operating-cost base and continued cash use
- Dependence on the regulatory and reimbursement environment
- Integration load from a rapid acquisition cadence

OPPORTUNITIES

- Roughly 34 percent market growth in AI precision medicine
- Expansion into cardiology, neurology, and psychiatry
- Foundation models and agentic tools as new licensing revenue
- Payer demand for AI-enabled cost and utilization management

THREATS

- Well-capitalized competitors in genomics and big tech
- Evolving AI, privacy, and data-transparency regulation
- Short-seller and "AI-washing" scrutiny on credibility
- Stock volatility constraining equity-funded growth

VI Go-To-Market

Tempus markets one platform to four audiences, each with a distinct message and channel. The discipline of that segmentation is a strength. The gap is that the marketing still leads with capability when the market is now asking about durability.

TABLE 2 · MESSAGING BY AUDIENCE

Audience	Core message	Primary channels
Physicians	AI-driven insight and real-world data at the point of care	Hub and One updates, webinars, clinical thought leadership
Researchers	Access to multimodal data and trial-enabling tools	Whitepapers, ASCO presence, analyst sessions
Pharma and biotech	Foundation models and real-world evidence for R&D	Partnership announcements, targeted outreach
Payers	Predictive analytics for outcomes and cost	Media kit, payer webinars, RWE case studies

Channels and presence

Executive thought leadership on LinkedIn, a steady release cadence around product launches, and a high-visibility presence at forums such as ASCO and the J.P. Morgan Healthcare Conference anchor the digital strategy. A physician advisory board adds clinical credibility. The machine is well-built. What it under-emphasizes is the financial-discipline story that would directly answer the market's current objection.

TABLE 3 · CHANNEL EFFECTIVENESS

Channel	Audience	Purpose	Metric
LinkedIn	Physicians, researchers	Awareness and credibility	Engagement, shares
Press releases	Pharma, analysts	Product and partnership news	Pickup, web traffic
Webinars and events	Payers, pharma, providers	Education and lead generation	Registrants, inquiries
Advisory board	Clinical leaders	Validation and peer trust	New partnerships

VII Gaps & Challenges

The 2026 challenge list is shorter and sharper than the 2025 version, because growth is no longer in doubt. What remains are four real constraints.

The GAAP-to-adjusted gap

Adjusted EBITDA turned positive in the fourth quarter and is guided positive for 2026. GAAP net loss was still \$245 million in 2025, and the first quarter of 2026 widened on a GAAP basis. Most of the gap is non-cash, led by stock compensation, but the market does not give that a free pass. Closing the perception gap is now the central financial-communications task.¹⁶

Stock volatility and equity cost

A share price that halved from its October high raises the cost of equity-funded growth and pressures morale and retention in an equity-compensated workforce. It also narrows the margin for any execution miss.⁶

Trust and AI credibility

A 2025 short-seller report raised AI-washing and transparency questions and dented the stock. Whether or not the critique held, it exposed a structural vulnerability. In health-tech, trust is the gating variable for enterprise adoption, and it has to be defended with independent evidence, not assertion.⁷

Competitive and regulatory pressure

Well-capitalized genomics and technology competitors are circling the same opportunity, and the regulatory frame around AI, privacy, and data transparency is tightening. Both are manageable, but both demand proactive posture rather than reaction.

VIII Recommendations

Eight moves, ordered from the most urgent narrative fix to the longest-horizon structural bet.

1 **Make profitability the spine of the story**

Lead investor and customer messaging with the adjusted-EBITDA inflection, free-cash-flow trajectory, and a clear bridge from adjusted to GAAP. The market's central objection is the gap. Address it head-on and on repeat.

2 **Scale pharma foundation-model collaborations**

Treat the AstraZeneca and Pathos model as a template and repeat it with additional top-20 pharma. This is the highest-margin, most defensible revenue and the clearest external proof of the moat.

3 **Expand data licensing as a margin engine**

Grow multi-year Insights licensing with large pharma. Diversifying toward licensing improves blended margin and reduces dependence on lower-margin services.

4 **Defend trust with independent validation**

Answer AI-washing scrutiny with commissioned validation studies, peer-reviewed publication, and an external AI-ethics advisory function. In this market, credibility is a moat, and it has already been tested.

5 **Get ahead of the regulatory curve**

Adopt recognized trustworthy-AI frameworks and build privacy and governance into products by design. Early posture on HIPAA, GDPR, and evolving AI rules turns a constraint into a partner-trust advantage.

6 **Push FDA-cleared, reimbursable diagnostics**

Accelerate adoption of cleared assays eligible for Medicare reimbursement. Reimbursed clinical tools drive durable provider volume and separate Tempus from research-grade competitors.

7 **Extend the platform beyond oncology**

Build on the cardiology, neurology, and psychiatry footholds, including the Medtronic cardiology work, to widen the addressable base without diluting the data advantage.

8

Hold financial discipline as the growth scales

Control operating expense and route positive free cash flow to high-return expansion.

Disciplined capital allocation is what converts adjusted profitability into the GAAP economics the market wants to see.

IX Implementation

The recommendations sequence into a practical near-term plan. The ordering matters. Narrative and trust come first because they gate valuation. Revenue-mix and discipline follow because they prove the narrative over time.

TABLE 4 · IMPLEMENTATION SEQUENCE

Initiative	Horizon	Owner	Primary outcome
Profitability and GAAP-bridge messaging	Immediate	CFO, IR, CEO	Close the perception gap
Independent validation and AI governance	0–2 quarters	Clinical, Legal	Defend credibility
Pharma model and licensing expansion	2–4 quarters	Strategic Partnerships	Grow high-margin revenue
Reimbursed diagnostics push	Ongoing	Commercial	Durable provider volume
Expense discipline and capital allocation	Ongoing	Finance, Ops	Convert to GAAP economics

AUTHOR'S NOTE

This analysis began as a market-strategy audit in June 2025 and was refreshed with full-year 2025 results and 2026 guidance in June 2026. Figures are point-in-time and drawn from company filings, earnings releases, and third-party market research. The intent is to read one company across science, clinical operations, and commercial strategy at once, and to demonstrate the kind of cross-domain judgment those three lenses require together.

X References

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