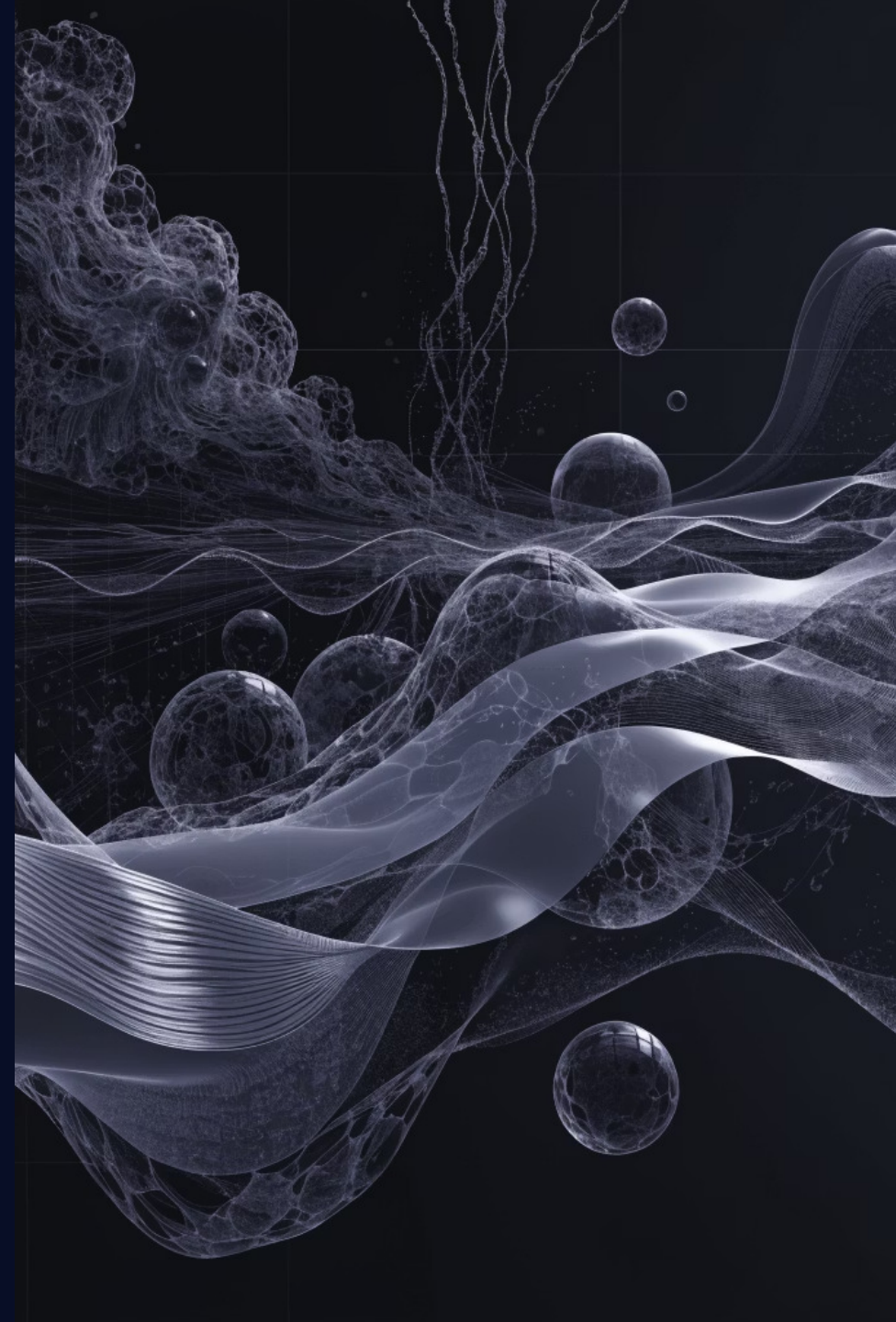


CASE STUDY

Tempus AI | Growth, Capital Intensity, and the Path to Profitability

A concise executive case study in how an AI-enabled health-tech platform pursues scale, absorbs capital, and navigates the structural pressures of achieving sustainable profitability.





INTRODUCTION

Why Tempus Is a Useful Health-Tech Case Study

Tempus AI sits at the intersection of genomics, clinical data, and machine learning – making it a rare, observable example of how AI-driven health-tech companies build platforms, consume capital, and chase profitability at scale.

Platform Scale

Rapidly expanding multimodal data assets and AI model infrastructure across oncology and beyond.

Capital Dynamics

Illustrates the trade-offs between aggressive reinvestment and the long road to positive margins.

Moat Building

Strategic partnerships and proprietary data create defensible advantages difficult for competitors to replicate.

Revenue Growth and Profitability Trajectory

Tempus is growing at a pace that is rare even within high-growth health-tech, while systematically narrowing its losses.

\$314.6M

Q2 2025 Revenue

89.6% year-over-year growth, driven by Genomics and Data & Services segments.

\$1.26B

Full-Year 2025 Guidance

Projected ~82% year-over-year revenue growth, signaling continued momentum.

-\$5.6M

Q2 2025 Adj. EBITDA

Significantly improved from -\$31.2M in Q2 2024 – a clear directional shift toward breakeven.

Capital Intensity and Platform Investment

Tempus's growth is backed by substantial and deliberate investment across data infrastructure, AI capabilities, and human capital.

Data Infrastructure

350+ PB

Over 350 petabytes of multimodal clinical data, one of the largest repositories of its kind in health-tech.

AI Capabilities

3 Core Domains

Proprietary models spanning oncology, cardiology, and drug discovery – purpose-built for precision medicine at scale.

Talent Investment

~2,400

Employees across engineering, science, and sales.

Q4 2024 non-GAAP opex grew 6.5% YoY as Tempus continued to prioritize growth over near-term efficiency.

WACC, Reinvestment, and Capital Discipline

With an estimated WACC of 10.17%, Tempus must earn returns above its cost of capital for reinvestment to create durable value.

10.17%

Weighted Average Cost of Capital

The capital cost hurdle governing all reinvestment decisions as Tempus approaches profitability.

0.75%

Cost of Convertible Debt

Exceptionally low interest rate on the \$750M convertible note – preserving cash while funding growth.

\$0

Dividends Paid

Capital is directed toward AI development, data infrastructure, and strategic partnerships rather than shareholder distributions.

Hurdle Rate

At a 10.17% WACC, reinvestment must clear a meaningful cost-of-capital threshold to create durable value.

Financing Flexibility

The \$750M convertible note at 0.75% extends runway while preserving cash for AI, data infrastructure, and growth.

Growth Over Distributions

Zero dividends signals a deliberate growth-stage choice: capital is being directed toward platform expansion rather than shareholder payouts.

Financing Strategy: Convertible Debt

Rather than equity dilution or traditional debt, Tempus has used convertible instruments to fund growth on favorable terms.

\$750M Convertible Senior Note

Completed in Q2 2025 at a **0.75% interest rate** – an exceptionally low cost of debt that preserves cash for operations while extending runway for growth initiatives.

Why Convertible Notes?

For growth-stage health-tech firms, convertibles offer a strategic middle ground: lower cash interest burden than traditional debt, with upside participation that appeals to growth-oriented investors. They signal confidence in future equity value while avoiding immediate dilution at current valuations.



Data, Partnerships, and Moat Quality

Tempus's competitive moat is rooted in data scale, proprietary AI, and a growing web of high-value partnerships that are difficult to replicate.



Multimodal Data Asset

350+ petabytes of clinical, genomic, and imaging data – a foundational advantage in training AI models for precision medicine.



AstraZeneca & Pathos AI

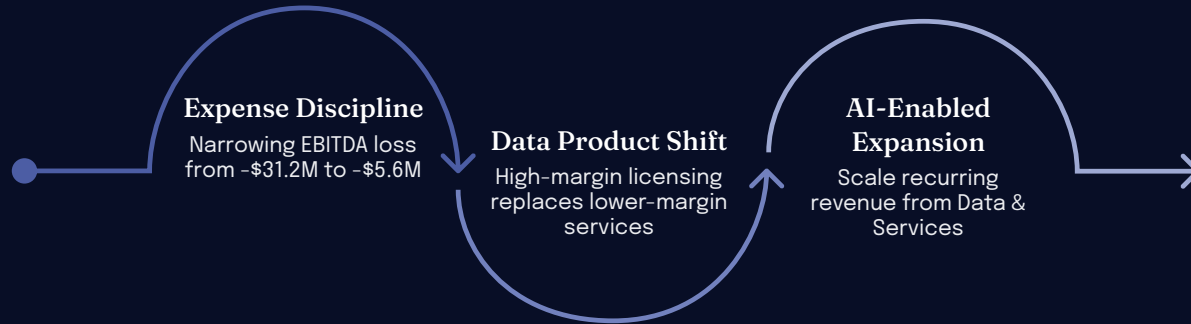
Building the largest multimodal oncology foundation model. Includes **\$200M** in data licensing and model development fees to Tempus.



Boehringer Ingelheim

Multi-year strategic collaboration leveraging Tempus's data and AI platform to advance oncology drug development pipelines.

The Credibility of the Path to Profitability



A \$110M year-over-year EBITDA improvement is not incremental – it reflects structural change in how Tempus monetizes its platform.

Q2 2025 Adjusted EBITDA

Loss of **-\$5.6M** – a dramatic improvement and near breakeven.

Full-Year 2025 Target

Positive Adjusted EBITDA of **~\$5M**, representing a **~\$110M** swing from 2024.

Margin Durability Drivers

Expense discipline, high-margin data products, and expanding AI-enabled offerings are the levers being pulled concurrently.

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