

July 23, 2012

Market Outperform / Speculative Risk

### Updating Our Models to Reflect VSTM Development Update

#### MARKET DATA 7/20/2012

Price	\$10.04
Exchange	NASDAQ
Target Price	\$19.00
52 Wk Hi - Low	\$12.24 - \$8.89
Market Cap(MM)	\$211.4
EV(MM)	\$170.4
Shares Out (MM)	21.1
Public Mkt Float (MM)	21.1
Avg. Daily Vol	14,553
Short Interest	423,807

#### BALANCE SHEET METRICS

Cash (MM)	\$47.8
LTD (MM)	\$0.0
Total Debt/Capital	NA
Cash/Share	\$30.67
Book Value(MM)	NA
Book Value/Share	\$5.44

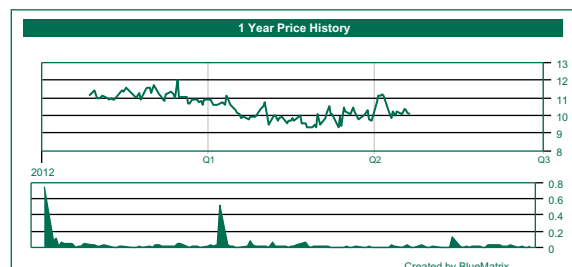
Cash (MM): Includes cash and equivalents, short-term and long-term securities.

#### EARNINGS DATA (\$)

FY - Dec	2011E	2012E	2013E
Q1 (Mar)	--	(0.47)A	--
Q2 (Jun)	--	(0.49)	--
Q3 (Sep)	--	(0.52)	--
Q4 (Dec)	(4.01)	(0.54)	--
Full Year EPS	(10.59)	(2.04)	(1.64)

#### INDICES

DJIA	12,822.6
SP-500	1,362.7
NASDAQ	2,618.0
NBI	1,381.3



On Thursday July 12<sup>th</sup>, Verastem provided the investment community with an update on its clinical development plans for its **portfolio of cancer stem cell-targeting compounds**. As a reminder, Verastem announced the acquisition of a second, Phase II-ready FAK inhibitor from Pfizer (PFE, Not Rated), VS-6063, and second line mesothelioma as the lead indication for VS-6063 clinical development with a Phase II trial scheduled to begin mid-2013. Development plans for VS-4817, the company's originating FAK inhibitor were largely unchanged with a Phase I trial in patients with solid tumors scheduled to begin in 2Q13. VS-5584, the company's recently acquired dual PI3K/mTOR inhibitor, will also be advanced through IND-enabling toxicology beginning in 4Q12 with an eye toward Phase I clinical testing by mid-2013. Lastly, VS-507 development was suspended in favor of a newly initiated discovery collaboration with Eisai Pharma (JP-4523, Not Rated) in order to identify next-generation Wnt pathway inhibitory compounds.

In order to reflect the updates to the VSTM pipeline and development timelines, we have made several changes to our model. Beginning with the FAK franchise, we now include projected revenues from VS-6063 from use in the treatment of mesothelioma (see Table 1) beginning in US market in 2016. Market launches in the EU and Japan are anticipated to begin the following year. Revenues from FAK inhibitor use in the treatment of serous ovarian cancer and inflammatory breast cancer that were formerly attributed to VS-4718 are now attributed to VS-6063, and our assumptions around the timing of market launch in these indications have been delayed by one year (Table 2 and 3). In line with the decision to suspend clinical development with the Wnt program, VS-507-related revenues have been removed from our model. Last, VS-5584 revenues have now been incorporated into our model coming from neoadjuvant use in the treatment of triple negative breast cancer beginning in the US in 2017 (Table 4). In terms of valuation, any downward impact to our DCF analysis as a result of launch delays in ovarian and breast cancer has been offset by new revenue projection from the treatment of mesothelioma and the application of reduced discount factor for a Phase II product candidate.

**We maintain our Market Outperform rating for VSTM shares and \$19 price target.** We derive our price target through a combination of methodologies, including a DCF-based valuation of \$18 and a CAGR valuation of \$22. Risks to our valuation include the risk of clinical failure related to any of VSTM's central development programs including VS-6063, VS-4718 and VS-5584 for reasons of safety or inactivity. In our view, the value of VSTM shares will continue to be primarily milestone-driven over the next six to twelve months, as VS-6063 is prepared for Phase II evaluation and as VS-4718 and VS-5584 complete IND tox assessment heading into Phase I trials beginning 2013.

Table 1. VS-6063 Market Projections in Mesothelioma

US														
VS-6063 in Mesothelioma (\$MM)	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Mesothelioma Incidence, US	2,800	2,842	2,885	2,928	2,972	3,016	3,062	3,108	3,154	3,201	3,250	3,298	3,348	3,398
% Growth		1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
% pts with unresectable disease	90%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
# pts with unresectable disease	2,520	2,558	2,596	2,635	2,675	2,715	2,755	2,797	2,839	2,881	2,925	2,968	3,013	3,058
% pts receiving first-line chemotherapy (cipslatin/pemetrexed)	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
# pts receiving first-line chemotherapy	2,660	2,700	2,740	2,782	2,823	2,866	2,909	2,952	2,996	3,041	3,087	3,133	3,180	3,228
% pts failing first-line therapy	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
Second-line addressable patient population	1,995	2,025	2,055	2,086	2,117	2,149	2,181	2,214	2,247	2,281	2,315	2,350	2,385	2,421
VS-6063 Market Penetration					20.0%	40.0%	60.0%	65.0%	70.0%	72.5%	75.0%	77.5%	80.0%	80.0%
Patients on VS-6063					423	860	1,309	1,439	1,573	1,654	1,736	1,821	1,908	1,937
Duration of Therapy (months)					4.0	4.0	4.1	4.1	4.2	4.2	4.2	4.3	4.3	4.4
Total Patients Months on Therapy					1,693.9	3,473.1	5,340.6	5,931.2	6,548.1	6,952.5	7,373	7,811	8,265	8,473
Cost per Month of Therapy					\$ 15,000	\$ 15,225	\$ 15,453	\$ 15,685	\$ 15,920	\$ 16,159	\$ 16,402	\$ 16,648	\$ 16,897	\$ 17,151
% Price increase						1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
US Sales of VS-6063					\$ 25.4	\$ 52.9	\$ 82.5	\$ 93.0	\$ 104.2	\$ 112.3	\$ 120.9	\$ 130.0	\$ 139.7	\$ 145.3
% Growth						108%	56%	13%	12%	8%	8%	8%	7%	4%

EU														
VS-6063 in Mesothelioma (\$MM)	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Mesothelioma Incidence, US	7,193	7,185	7,178	7,171	7,164	7,157	7,150	7,142	7,135	7,128	7,121	7,114	7,107	7,100
% Growth		-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
% pts with unresectable disease	90%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
# pts with unresectable disease	6,473	6,467	6,460	6,454	6,447	6,441	6,435	6,428	6,422	6,415	6,409	6,402	6,396	6,390
% pts receiving first-line chemotherapy (cipslatin/pemetrexed)	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
# pts receiving first-line chemotherapy	6,833	6,826	6,819	6,813	6,806	6,799	6,792	6,785	6,779	6,772	6,765	6,758	6,751	6,745
% pts failing first-line therapy	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
Second-line addressable patient population	5,125	5,120	5,114	5,109	5,104	5,099	5,094	5,089	5,084	5,079	5,074	5,069	5,064	5,059
VS-6063 Market Penetration						20.0%	40.0%	60.0%	65.0%	70.0%	72.5%	75.0%	77.5%	80.0%
Patients on VS-6063						1,020	2,038	3,053	3,305	3,555	3,678	3,801	3,924	4,047
Duration of Therapy (months)						4.0	4.0	4.1	4.1	4.2	4.2	4.2	4.3	4.3
Total Patients Months on Therapy						4,079.3	8,232.0	12,459.0	13,618.6	14,798.0	15,464	16,141	16,829	17,528
Cost per Month of Therapy						\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
% Price increase							0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
US Sales of VS-6063						\$ 61.2	\$ 123.5	\$ 186.9	\$ 204.3	\$ 222.0	\$ 232.0	\$ 242.1	\$ 252.4	\$ 262.9
% Growth							102%	51%	9%	9%	5%	4%	4%	4%
Royalty to VSTM on EU Sales						\$ 9.2	\$ 18.5	\$ 28.0	\$ 30.6	\$ 33.3	\$ 34.8	\$ 36.3	\$ 37.9	\$ 39.4
% royalty to VSTM						15%	15%	15%	15%	15%	15%	15%	15%	15%

JPN														
VS-6063 in Mesothelioma (\$MM)	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Mesothelioma Incidence, US	1,000	999	998	997	996	995	994	993	992	991	990	989	988	987
% Growth		-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
% pts with unresectable disease	90%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
# pts with unresectable disease	900	899	898	897	896	895	894	893	892	891	890	889	888	887
% pts receiving first-line chemotherapy (cipslatin/pemetrexed)	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
# pts receiving first-line chemotherapy	950	949	948	947	946	945	944	943	942	941	940	939	938	937
% pts failing first-line therapy	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
Second-line addressable patient population	713	712	711	710	710	709	708	708	707	706	705	705	704	703
VS-6063 Market Penetration						10.0%	20.0%	40.0%	60.0%	70.0%	72.5%	75.0%	77.5%	80.0%
Patients on VS-6063						71	142	283	424	494	511	529	546	563
Duration of Therapy (months)						4.0	4.0	4.1	4.1	4.2	4.2	4.2	4.3	4.3
Total Patients Months on Therapy						283.6	572.3	1,154.8	1,747.8	2,057.4	2,150	2,244	2,340	2,437
Cost per Month of Therapy						\$ 15,000	\$ 15,150	\$ 15,302	\$ 15,455	\$ 15,609	\$ 15,765	\$ 15,923	\$ 16,082	\$ 16,243
% Price increase							1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
US Sales of VS-6063						\$ 4.3	\$ 8.7	\$ 17.7	\$ 27.0	\$ 32.1	\$ 33.9	\$ 35.7	\$ 37.6	\$ 39.6
% Growth							104%	104%	53%	19%	6%	5%	5%	5%
Royalty to VSTM on JPN Sales						\$ 0.6	\$ 1.3	\$ 2.7	\$ 4.1	\$ 4.8	\$ 5.1	\$ 5.4	\$ 5.6	\$ 5.9
% royalty to VSTM						15%	15%	15%	15%	15%	15%	15%	15%	15%

Table 2. VS-6063 Market Projections in Serous Ovarian Cancer

US														
FAK Inhibitor in Ovarian Cancer (\$MM)	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Ovarian Cancer Incidence, US	22,320	22,655	22,994	23,339	23,689	24,045	24,405	24,772	25,143	25,520	25,903	26,292	26,686	27,086
% Growth		1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
% with serous ovarian cancer	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
# pts with Serous Ovarian Cancer	13,392	13,593	13,797	14,004	14,214	14,427	14,643	14,863	15,086	15,312	15,542	15,775	16,012	16,252
% with Stage I-II Disease	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
# of patients with Stage I-II Disease	2,678	2,719	2,759	2,801	2,843	2,885	2,929	2,973	3,017	3,062	3,108	3,155	3,202	3,250
% with Stage III-IV Disease	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
# of patients with Stage III-IV Disease	10,714	10,874	11,037	11,203	11,371	11,542	11,715	11,890	12,069	12,250	12,433	12,620	12,809	13,001
Maintenance Setting (Platinum Sensitive)														
% of Stage I-II patients relapsing after 1L Tx	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
% of Stage III+ patients relapsing after 1L Tx	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
2nd Line Patients - Addressable Market	8,169	8,292	8,416	8,542	8,670	8,800	8,932	9,066	9,202	9,340	9,481	9,623	9,767	9,914
Patients sensitive to Platinum agents upon retreatment	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
	3,268	3,317	3,366	3,417	3,468	3,520	3,573	3,627	3,681	3,736	3,792	3,849	3,907	3,965
Market Penetration							20.0%	40.0%	60.0%	65.0%	67.5%	70.0%	71.5%	72.5%
Patients on VS-6063							714.59	1,450.62	2,208.57	2,428.51	2,559.74	2,694.37	2,793.39	2,875
Duration of Therapy							9.40	9.90	9.90	9.95	10.00	10.00	10.00	10.0
Total Patients Months on Therapy							6,717.2	14,071.0	21,864.9	24,163.7	25,597	26,944	27,934	28,749
Cost per Month of Therapy							\$ 15,000	\$ 15,225	\$ 15,453	\$ 15,685	\$ 15,920	\$ 16,159	\$ 16,402	\$ 16,648
% Price increase							1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
US Sales of VS-6063							\$ 100.8	\$ 214.2	\$ 337.9	\$ 379.0	\$ 407.5	\$ 435.4	\$ 458.2	\$ 478.6
% Growth								113%	58%	12%	8%	7%	5%	4%

EU														
FAK Inhibitor in Ovarian Cancer (\$MM)	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
<b>Ovarian Cancer Incidence, EU</b>	29,718	30,164	30,616	31,076	31,542	32,015	32,495	32,983	33,477	33,979	34,489	35,006	35,532	36,065
% Growth	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
% with serous ovarian cancer	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
# pts with Serous Ovarian Cancer	17,831	18,098	18,370	18,645	18,925	19,209	19,497	19,790	20,086	20,388	20,693	21,004	21,319	21,639
% with Stage I-II Disease	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
# of patients with Stage I-II Disease	3,566	3,620	3,674	3,729	3,785	3,842	3,899	3,958	4,017	4,078	4,139	4,201	4,264	4,328
% with Stage III-IV Disease	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
# of patients with Stage III-IV Disease	14,265	14,479	14,696	14,916	15,140	15,367	15,598	15,832	16,069	16,310	16,555	16,803	17,055	17,311
<b>Maintenance Setting (Platinum Sensitive)</b>														
% of Stage I-II patients relapsing after 1L Tx	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
% of Stage III+ patients relapsing after 1L Tx	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
2nd Line Patients - Addressable Market	10,877	11,040	11,206	11,374	11,544	11,717	11,893	12,072	12,253	12,436	12,623	12,812	13,005	13,200
Patients sensitive to Platinum agents upon retreatment	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
	4,351	4,416	4,482	4,549	4,618	4,687	4,757	4,829	4,901	4,975	5,049	5,125	5,202	5,280
<b>Market Penetration</b>								20%	40%	60%	65%	68%	70%	72%
Patients on VS-6063					-			966	1,960	2,985	3,282	3,459	3,641	3,775
Duration of Therapy								9.40	9.70	9.90	9.95	10.00	9.0	9.0
<b>Total Patients Months on Therapy</b>								9,077.9	19,016.2	29,549.1	32,656	34,593	32,772	33,976
<b>Cost per Month of Therapy</b>								\$ 9,135	\$ 9,272	\$ 9,411	\$ 9,411	\$ 9,411	\$ 9,411	\$ 9,411
% Price increase									1.5%	1.5%	0.0%	0.0%	0.0%	0.0%
<b>EU Sales of VS-6063</b>								\$ 82.9	\$ 176.3	\$ 278.1	\$ 307.3	\$ 325.6	\$ 308.4	\$ 319.8
% Growth									113%	58%	11%	6%	-5%	4%

JPN														
FAK Inhibitor in Ovarian Cancer (\$MM)	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
<b>Ovarian Cancer Incidence, EU</b>	8,839	8,972	9,106	9,243	9,243	8,972	9,106	9,243	9,381	9,522	9,665	9,810	9,957	10,106
% Growth	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
% with serous ovarian cancer	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
# pts with Serous Ovarian Cancer	5,303	5,383	5,464	5,546	5,303	5,383	5,464	5,546	5,629	5,713	5,799	5,886	5,974	6,064
% with Stage I-II Disease	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
# of patients with Stage I-II Disease	1,061	1,077	1,093	1,109	1,061	1,077	1,093	1,109	1,126	1,143	1,160	1,177	1,195	1,213
% with Stage III-IV Disease	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
# of patients with Stage III-IV Disease	4,243	4,306	4,371	4,437	4,243	4,306	4,371	4,437	4,503	4,571	4,639	4,709	4,779	4,851
<b>Maintenance Setting (Platinum Sensitive)</b>														
% of Stage I-II patients relapsing after 1L Tx	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
% of Stage III+ patients relapsing after 1L Tx	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
2nd Line Patients - Addressable Market	3,235	3,284	3,333	3,383	3,235	3,284	3,333	3,383	3,434	3,485	3,537	3,590	3,644	3,699
Patients sensitive to Platinum agents upon retreatment	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
	1,294	1,313	1,333	1,353	1,294	1,313	1,333	1,353	1,373	1,394	1,415	1,436	1,458	1,480
<b>Market Penetration</b>									20%	40%	60%	65%	68%	70%
Patients on VS-6063									275	558	849	934	984	1,036
Duration of Therapy									9.40	9.70	9.90	9.95	10.00	9.0
<b>Total Patients Months on Therapy</b>									2,582.1	5,408.9	8,405	9,288	9,840	9,321
<b>Cost per Month of Therapy</b>									\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
% Price increase									0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>EU Sales of VS-6063</b>									\$ 31.0	\$ 64.9	\$ 100.9	\$ 111.5	\$ 118.1	\$ 111.9
% Growth										109%	55%	11%	6%	-5%

Table 3. VS-6063 Market Projections in Inflammatory Breast Cancer

US														
FAK Inhibitor in IBC - Revenue Build - US	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Breast Cancer Incidence, US	230,480	232,785	235,113	237,464	239,838	242,237	244,659	247,106	249,577	252,073	254,593	257,139	259,711	262,308
% Growth		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
% Inflammatory Breast Cancer	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
# pts with IBC	9,219	9,311	9,405	9,499	9,594	9,689	9,786	9,884	9,983	10,083	10,184	10,286	10,388	10,492
Market Penetration							20.0%	35.0%	40.0%	45.0%	48.0%	50.0%	51.0%	51.5%
Patients on FAK Inhibitor							1,957	3,459	3,993	4,537	4,888	5,143	5,298	5,404
Duration of Therapy							9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Total Patients Months on Therapy							17,615	31,135	35,939	40,836	43,994	46,285	47,683	48,632
Cost per Month of Therapy							\$ 15,000	\$ 15,225	\$ 15,453	\$ 15,685	\$ 15,920	\$ 16,159	\$ 16,402	\$ 16,648
% Price increase							1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
US Sales of VS-6063 in IBC							\$ 264.2	\$ 474.0	\$ 555.4	\$ 640.5	\$ 700.4	\$ 747.9	\$ 782.1	\$ 809.6
% Growth								79%	17%	15%	9%	7%	5%	4%

EUROPE														
FAK Inhibitor in IBC - Revenue Build - EU	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Breast Cancer Incidence, EU	221,763	223,981	226,221	228,483	230,768	233,075	235,406	237,760	240,138	242,539	244,964	247,414	249,888	252,387
% Growth		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
% Inflammatory Breast Cancer	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
# pts with IBC	8,871	8,959	9,049	9,139	9,231	9,323	9,416	9,510	9,606	9,702	9,799	9,897	9,996	10,095
Market Penetration								20.0%	35.0%	40.0%	45.0%	48.0%	50.0%	51.0%
Patients on FAK Inhibitor								1,902	3,362	3,881	4,409	4,750	4,998	5,149
Duration of Therapy								9.0	9.0	9.0	9.0	9.0	9.0	9.0
Total Patients Months on Therapy								17,119	30,257	34,926	39,684	42,753	44,980	46,338
Cost per Month of Therapy								\$ 9,135	\$ 9,272	\$ 9,411	\$ 9,411	\$ 9,411	\$ 9,411	\$ 9,411
% Price increase								1.5%	1.5%	1.5%	0.0%	0.0%	0.0%	0.0%
EU Sales of VS-6063 in IBC								\$ 156.4	\$ 280.5	\$ 328.7	\$ 373.5	\$ 402.4	\$ 423.3	\$ 436.1
% Growth									79%	17%	14%	8%	5%	3%

JAPAN														
FAK Inhibitor in IBC - Revenue Build - JPN	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Breast Cancer Incidence, JPN	46,096	46,557	47,023	47,493	47,968	48,447	48,932	49,421	49,915	50,415	50,919	51,428	51,942	52,462
% Growth		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
% Inflammatory Breast Cancer	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
# pts with IBC	1,844	1,862	1,881	1,900	1,919	1,938	1,957	1,977	1,997	2,017	2,037	2,057	2,078	2,098
Market Penetration									20.0%	35.0%	40.0%	45.0%	48.0%	50.0%
Patients on VS-507									399	706	815	926	997	1,049
Duration of Therapy									9.0	9.0	9.0	9.0	9.0	9.0
Patients on FAK Inhibitor									3,594	6,352	7,332	8,331	8,976	9,443
Cost per Month of Therapy									\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
% Price increase									0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
JPN Sales of VS-6063 in IBC									\$ 43.1	\$ 76.2	\$ 88.0	\$ 100.0	\$ 107.7	\$ 113.3
% Growth										77%	15%	14%	8%	5%

Table 4. VS-5584 Market Projection in Triple Negative Breast Cancer

US														
VS-5584 (PI3K/mTOR Inhibitor) Revenue Build - US	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
<b>Breast Cancer Incidence, US</b>	230,480	232,785	235,113	237,464	239,838	242,237	244,659	247,106	249,577	252,073	254,593	257,139	259,711	262,308
% Growth		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
% Triple Negative Breast Cancer	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
# pts with Triple Negative Breast Cancer	34,572	34,918	35,267	35,620	35,976	36,336	36,699	37,066	37,437	37,811	38,189	38,571	38,957	39,346
<b>Neoadjuvant Setting (Invasive disease Stage I-III)</b>														
<b>Stage I Patients</b>														
% pts with Stage I TNBC						33.5%	33.5%	33.5%	33.5%	33.5%	33.5%	33.5%	33.5%	33.5%
# pts with Stage I TNBC						12,172	12,294	12,417	12,541	12,667	12,793	12,921	13,050	13,181
% receiving neo-adjuvant therapy						20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
# of Stage I patients receiving neo-adj. therapy						2,434	2,459	2,483	2,508	2,533	2,559	2,584	2,610	2,636
<b>Stage II Patients</b>														
% pts with Stage II TNBC						50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
# pts with Stage II TNBC						18,168	18,349	18,533	18,718	18,905	19,094	19,285	19,478	19,673
% receiving neo-adjuvant therapy						50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
# of Stage II patients receiving neo-adj. therapy						9,084	9,175	9,266	9,359	9,453	9,547	9,643	9,739	9,837
<b>Stage III Patients</b>														
% pts with Stage III TNBC						11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%
# pts with Stage III TNBC						4,179	4,220	4,263	4,305	4,348	4,392	4,436	4,480	4,525
% receiving neo-adjuvant therapy						90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
# of Stage III patients receiving neo-adj. therapy						3,761	3,798	3,836	3,875	3,913	3,953	3,992	4,032	4,072
<b>Market Share</b>														
Addressable Market (patients receiving neo-adj)						15,279	15,432	15,586	15,742	15,899	16,058	16,219	16,381	16,545
Market Penetration						10.0%	25.0%	45.0%	55.0%	60.0%	62.5%	64.0%	65.0%	66.0%
<b>Patients on VS-5584</b>						1,528	3,858	7,014	8,658	9,540	10,037	10,380	10,648	10,920
<b>Duration of Therapy</b>														
Stage I						3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Stage II						4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Stage III						5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
<b>Total Patients Months on Therapy</b>						6,244.3	15,766.8	28,664.0	35,384.1	38,986.8	41,017	42,422	43,515	44,627
<b>Cost per Month of Therapy</b>						\$ 10,000	\$ 10,150	\$ 10,302	\$ 10,457	\$ 10,614	\$ 10,773	\$ 10,934	\$ 11,098	\$ 11,265
% Price increase						1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
<b>US Sales of VS-5584</b>						\$ 62.4	\$ 160.0	\$ 295.3	\$ 370.0	\$ 413.8	\$ 441.9	\$ 463.9	\$ 483.0	\$ 502.7
% Growth							156%	85%	25%	12%	7%	5%	4%	4%

EUROPE														
VS-5584 (PI3K/mTOR Inhibitor) Revenue Build - EU	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
<b>Breast Cancer Incidence, EU</b>	221,763	223,981	226,221	228,483	230,768	233,075	235,406	237,760	240,138	242,539	244,964	247,414	249,888	252,387
% Growth		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
% Triple Negative Breast Cancer	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
# pts with Triple Negative Breast Cancer	33,264	33,597	33,933	34,272	34,615	34,961	35,311	35,664	36,021	36,381	36,745	37,112	37,483	37,858
<b>Neoadjuvant Setting (Invasive disease Stage I-III)</b>														
<b>Stage I Patients</b>														
% pts with Stage I TNBC							33.5%	33.5%	33.5%	33.5%	33.5%	33.5%	33.5%	33.5%
# pts with Stage I TNBC							11,829	11,947	12,067	12,188	12,309	12,433	12,557	12,682
% receiving neo-adjuvant therapy							20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
# of Stage I patients receiving neo-adjuv. therapy							2,366	2,389	2,413	2,438	2,462	2,487	2,511	2,536
<b>Stage II Patients</b>														
% pts with Stage II TNBC							50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
# pts with Stage II TNBC							17,655	17,832	18,010	18,190	18,372	18,556	18,742	18,929
% receiving neo-adjuvant therapy							50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
# of Stage II patients receiving neo-adjuv. therapy							8,828	8,916	9,005	9,095	9,186	9,278	9,371	9,465
<b>Stage III Patients</b>														
% pts with Stage III TNBC							11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%
# pts with Stage III TNBC							4,061	4,101	4,142	4,184	4,226	4,268	4,311	4,354
% receiving neo-adjuvant therapy							90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
# of Stage III patients receiving neo-adjuv. therapy							3,655	3,691	3,728	3,765	3,803	3,841	3,880	3,918
<b>Market Share</b>														
Addressable Market (patients receiving neo-adjuv.)							14,848	14,997	15,147	15,298	15,451	15,606	15,762	15,919
Market Penetration							10.0%	25.0%	45.0%	55.0%	60.0%	62.5%	64.0%	66.0%
<b>Patients on VS-5584</b>							1,485	3,749	6,816	8,414	9,271	9,754	10,087	10,507
<b>Duration of Therapy</b>														
Stage I							3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Stage II							4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Stage III							5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
<b>Total Patients Months on Therapy</b>							6,068.2	15,322.2	27,855.7	34,386.3	37,887	39,861	41,226	42,939
<b>Cost per Month of Therapy</b>							\$ 8,000	\$ 8,120	\$ 8,120	\$ 8,120	\$ 8,120	\$ 8,120	\$ 8,120	\$ 8,120
% Price increase							1.5%	1.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>EU Sales of VS-5584</b>							\$ 48.5	\$ 124.4	\$ 226.2	\$ 279.2	\$ 307.6	\$ 323.7	\$ 334.8	\$ 348.7
% Growth								156%	82%	23%	10%	5%	3%	4%

JAPAN														
VS-5584 (PI3K/mTOR Inhibitor) Revenue Build - JPN	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
<b>Breast Cancer Incidence, JPN</b>	46,096	46,557	47,023	47,493	47,968	48,447	48,932	49,421	49,915	50,415	50,919	51,428	51,942	52,462
% Growth		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
% Triple Negative Breast Cancer	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
# pts with Triple Negative Breast Cancer	6,914	6,984	7,053	7,124	7,195	7,267	7,340	7,413	7,487	7,562	7,638	7,714	7,791	7,869
<b>Neoadjuvant Setting (Invasive disease Stage I-III)</b>														
<b>Stage I Patients</b>														
% pts with Stage I TNBC								33.5%	33.5%	33.5%	33.5%	33.5%	33.5%	33.5%
# pts with Stage I TNBC								2,483	2,508	2,533	2,559	2,584	2,610	2,636
% receiving neo-adjuvant therapy								20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
# of Stage I patients receiving neo-adjuv. therapy								497	502	507	512	517	522	527
<b>Stage II Patients</b>														
% pts with Stage II TNBC								50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
# pts with Stage II TNBC								3,707	3,744	3,781	3,819	3,857	3,896	3,935
% receiving neo-adjuvant therapy								50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
# of Stage II patients receiving neo-adjuv. therapy								1,853	1,872	1,891	1,909	1,929	1,948	1,967
<b>Stage III Patients</b>														
% pts with Stage III TNBC								11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%
# pts with Stage III TNBC								853	861	870	878	887	896	905
% receiving neo-adjuvant therapy								90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
# of Stage III patients receiving neo-adjuv. therapy								767	775	783	791	798	806	814
<b>Market Share</b>														
Addressable Market (patients receiving neo-adjuv.)								3,117	3,148	3,180	3,212	3,244	3,276	3,309
Market Penetration								10.0%	25.0%	45.0%	55.0%	60.0%	62.5%	64.0%
<b>Patients on VS-5584</b>								312	787	1,431	1,766	1,946	2,048	2,118
<b>Duration of Therapy</b>														
Stage I								3.0	3.0	3.0	3.0	3.0	3.0	3.0
Stage II								4.0	4.0	4.0	4.0	4.0	4.0	4.0
Stage III								5.0	5.0	5.0	5.0	5.0	5.0	5.0
<b>Total Patients Months on Therapy</b>								1,274.0	3,216.7	5,848.0	7,219	7,954	8,368	8,655
<b>Cost per Month of Therapy</b>								\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 7,800	\$ 7,800	\$ 7,605
% Price increase												-2.5%		-2.5%
<b>JPN Sales of VS-5584</b>								\$ 10.2	\$ 25.7	\$ 46.8	\$ 57.8	\$ 62.0	\$ 65.3	\$ 65.8
% Growth									152.5%	81.8%	23.4%	7.4%	5.2%	0.8%



Table 5. Summary of Projected Revenues by Product and Region

Revenues	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
<b>Total Sales and Royalties to VSTM</b>											
Total Sales US		25.4	115.3	607.6	1,076.6	1,367.5	1,545.7	1,670.7	1,777.2	1,862.9	1,936.3
% yoy change											
Total Ex-US Royalties		0.0	9.2	25.8	84.1	148.1	194.4	220.1	235.1	241.5	248.8
% yoy change											
VS-6063 Revenues (\$MM)	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
<b>VS-6063 Total Sales WW</b>											
<b>Geographical Breakdown of VS-6063 Sales</b>											
VS-6063 Total Sales, US		25.4	52.9	447.5	781.3	997.5	1,131.9	1,228.9	1,313.3	1,379.9	1,433.5
VS-6063 Total Sales, EU		0.0	61.2	123.5	426.2	661.1	828.7	912.8	970.0	984.2	1,018.8
% Royalty Rate		15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Royalties from EU Sales to Verastem		0.0	9.2	18.5	63.9	99.2	124.3	136.9	145.5	147.6	152.8
VS-6063 Total Sales, JPN						74.1	141.1	188.8	211.4	225.8	225.2
% Royalty Rate						15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Royalties from JPN Sales to Verastem						11.1	21.2	28.3	31.7	33.9	33.8
TOTAL WW Sales and Royalties to VSTM for VS-6063		25.4	62.1	466.0	845.2	1,107.8	1,277.4	1,394.1	1,490.6	1,561.4	1,620.1
<b>Revenue by Geography</b>											
US		100%	85%	96%	92%	90%	89%	88%	88%	88%	88%
EU		0%	15%	4%	8%	9%	10%	10%	10%	9%	9%
JPN		0%	0%	0%	0%	1%	2%	2%	2%	2%	2%
VS-5584 Revenues (\$MM)	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
<b>VS-5584 Total Sales WW</b>											
<b>Geographical Breakdown of VS-5584 Sales</b>											
VS-5584 Total Sales, US			62.4	160.0	295.3	370.0	413.8	441.9	463.9	483.0	502.7
% yoy change				156%	85%	25%	12%	7%	5%	4%	4%
VS-5584 Total Sales, EU				48.5	124.4	226.2	279.2	307.6	323.7	334.8	348.7
% Royalty Rate				15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Royalties from EU Sales to Verastem				7.3	18.7	33.9	41.9	46.1	48.6	50.2	52.3
VS-5584 Total Sales, JPN					10.2	25.7	46.8	57.8	62.0	65.3	65.8
% Royalty Rate					15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Royalties from JPN Sales to Verastem					1.5	3.9	7.0	8.7	9.3	9.8	9.9
TOTAL WW Sales and Royalties to VSTM for VS-5584			62.4	167.3	315.5	407.8	462.7	496.7	521.7	543.0	564.9
<b>Revenue by Geography</b>											
US			100%	96%	94%	91%	89%	89%	89%	89%	89%
EU			0%	4%	6%	8%	9%	9%	9%	9%	9%
JPN			0%	0%	0%	1%	2%	2%	2%	2%	2%

Table 6. DCF Analysis of VSTM Shares

Discount Cash Flow Model	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026-32
VS-6063, US Sales					25.4	52.9	447.5	781.3	997.5	1,131.9	1,228.9	1,313.3	1,379.9	1,433.5	
VS-6063 Royalties					0.0	9.2	18.5	63.9	110.3	145.5	165.2	177.2	181.5	186.6	
<b>Total VS-6063 Revenues</b>					<b>25.4</b>	<b>62.1</b>	<b>466.0</b>	<b>845.2</b>	<b>1,107.8</b>	<b>1,277.4</b>	<b>1,394.1</b>	<b>1,490.6</b>	<b>1,561.4</b>	<b>1,620.1</b>	
VS-5584, US Revenues						62.4	160.0	295.3	370.0	413.8	441.9	463.9	483.0	502.7	
VS-5584 Royalties							7.3	20.2	37.8	48.9	54.8	57.9	60.0	62.2	
<b>Total VS-5584 Revenues</b>						<b>62.4</b>	<b>167.3</b>	<b>315.5</b>	<b>407.8</b>	<b>462.7</b>	<b>496.7</b>	<b>521.7</b>	<b>543.0</b>	<b>564.9</b>	
<b>Total Revenues</b>					<b>25.4</b>	<b>124.5</b>	<b>633.4</b>	<b>1,160.7</b>	<b>1,515.6</b>	<b>1,740.0</b>	<b>1,890.8</b>	<b>2,012.3</b>	<b>2,104.4</b>	<b>2,185.0</b>	
<b>Cost of product sales</b>					2.8	12.1	60.8	107.7	136.8	154.6	167.1	177.7	186.3	191.7	
COGS as % US sales					11.0%	9.7%	9.6%	9.3%	9.0%	8.9%	8.8%	8.8%	8.9%	8.8%	
<b>Gross Profit</b>					22.6	112.4	572.6	1,053.1	1,378.8	1,585.5	1,723.7	1,834.6	1,918.1	1,993.3	
<b>R&amp;D expenses</b>	21.0	23.0	35.7	57.0	94.1	122.4	151.7	180.5	207.6	226.3	235.4	240.1	244.9	249.8	
R&D as % of revenue					370%	98%	24%	16%	14%	13%	12%	12%	12%	11%	
<b>SG&amp;A expenses</b>	9.4	10.0	12.0	15.9	39.9	59.8	71.8	82.5	88.3	91.8	95.5	99.3	103.3	107.4	
SG&A as % of revenue					157%	48%	11%	7%	6%	5%	5%	5%	5%	5%	
<b>Total Operating Expenses</b>	30.4	33.0	47.7	73.0	134.0	182.2	223.5	263.1	295.9	318.1	330.9	339.4	348.2	357.2	
<b>Operating Income (EBIT)</b>	(30.4)	(33.0)	(47.7)	(73.0)	(111.4)	(69.8)	349.1	790.0	1,082.9	1,267.3	1,392.8	1,495.2	1,569.9	1,636.1	
Taxes	0.0	0.0	0.0	0.0	0.0	-1.7	69.8	237.0	324.9	380.2	417.9	448.6	471.0	490.8	
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	2.5%	20.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	
After-Tax Operating Income	-30.4	-33.0	-47.7	-73.0	-111.4	-68.0	279.3	553.0	758.0	887.1	975.0	1046.6	1098.9	1145.3	
Discounting Year		0.75	1.75	2.75	3.75	4.75	5.75	6.75	7.75	8.75	9.75	10.75	11.75	12.75	
Discount Factor		1.3	1.7	2.3	3.1	4.2	5.6	7.6	10.2	13.8	18.7	25.2	34.0	45.9	
PV		(26.3)	(28.2)	(32.0)	(36.1)	(16.4)	49.7	72.9	74.1	64.2	52.3	41.6	32.3	25.0	72.7
<b>Residual Cash Flow</b>		345.7													
+ Cash and Cash Equivalents 12/31/12		2.0													
<b>Value Company</b>		347.7													
- Long-Term Debt on 12/31/12		0.0													
<b>Value of Equity</b>		347.7													
Fully diluted shares outstanding on 12/31/12		19.6													
<b>Price/Share</b>		<b>\$ 17.78</b>													
Discount Rate		35.0%													
Longer-term growth rate (2026 - Patent expiry)		7.5%													
Source: Rodmanand Renshaw Estimates															

Table 7. Updated Income Statement

Verastem, Inc. (VSTM)																					
Income Statement (\$MM)		1Q12A	2Q12E	3Q12E	4Q12E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E		
<b>Product Sales and Royalties</b>																					
VS-6063 (FAK inhibitor), US Sales										25.4	52.9	447.5	781.3	997.5	1,131.9	1,228.9	1,313.3	1,379.9	1,433.5		
VS-6063, Ex-US Royalties										0.0	9.2	18.5	63.9	110.3	145.5	165.2	177.2	181.5	186.6		
VS-5584 (PI3K/mTOR), US Sales											62.4	160.0	295.3	370.0	413.8	441.9	463.9	483.0	502.7		
VS-5584, Ex-US Royalties												7.3	20.2	37.8	48.9	54.8	57.9	60.0	62.2		
<b>Total Product Sales and Royalties</b>										<b>25.4</b>	<b>124.5</b>	<b>633.4</b>	<b>1,160.7</b>	<b>1,515.6</b>	<b>1,740.0</b>	<b>1,890.8</b>	<b>2,012.3</b>	<b>2,104.4</b>	<b>2,185.0</b>		
<b>License and Milestone Revenue</b>																					
<b>Collaboration Revenue</b>																					
<b>Total Revenue</b>										<b>25.4</b>	<b>124.5</b>	<b>633.4</b>	<b>1,160.7</b>	<b>1,515.6</b>	<b>1,740.0</b>	<b>1,890.8</b>	<b>2,012.3</b>	<b>2,104.4</b>	<b>2,185.0</b>		
<b>Cost of Goods Sold</b>										2.8	12.1	60.8	107.7	136.8	154.6	167.1	177.7	186.3	191.7		
<b>Gross Profit</b>									0.0	22.6	112.4	572.6	1,053.1	1,378.8	1,585.5	1,723.7	1,834.6	1,918.1	1,993.3		
<b>Operating expenses:</b>																					
R&D		4.8	5.1	5.4	5.7	21.0	23.0	35.7	57.0	94.1	122.4	151.7	180.5	207.6	226.3	235.4	240.1	244.9	249.8		
% Growth			6%	6%	6%	112.5%	109.5%	55.0%	60.0%	65.0%	30.0%	24.0%	19.0%	15.0%	9.0%	4.0%	2.0%	2.0%	2.0%		
% of Total Revenue										370.4%	98.3%	24.0%	15.6%	13.7%	13.0%	12.4%	11.9%	11.6%	11.4%		
SG&A		2.1	2.3	2.4	2.6	9.4	10.0	12.0	15.9	39.9	59.8	71.8	82.5	88.3	91.8	95.5	99.3	103.3	107.4		
% Growth			6%	7%	8%	145.7%	6.7%	20.0%	32.9%	150.0%	50.0%	20.0%	15.0%	7.0%	4.0%	4.0%	4.0%	4.0%	4.0%		
% of Total US Sales										156.9%	48.0%	11.3%	7.1%	5.8%	5.3%	5.1%	4.9%	4.9%	4.9%		
<b>Total operating expenses</b>		<b>6.9</b>	<b>7.4</b>	<b>7.8</b>	<b>8.3</b>	<b>30.4</b>	<b>33.0</b>	<b>47.7</b>	<b>73.0</b>	<b>134.0</b>	<b>182.2</b>	<b>223.5</b>	<b>263.1</b>	<b>295.9</b>	<b>318.1</b>	<b>330.9</b>	<b>339.4</b>	<b>348.2</b>	<b>357.2</b>		
<b>Operating income (loss)</b>		<b>(6.9)</b>	<b>(7.4)</b>	<b>(7.8)</b>	<b>(8.3)</b>	<b>(30.4)</b>	<b>(33.0)</b>	<b>(47.7)</b>	<b>(73.0)</b>	<b>(111.4)</b>	<b>(69.8)</b>	<b>349.1</b>	<b>790.0</b>	<b>1,082.9</b>	<b>1,267.3</b>	<b>1,392.8</b>	<b>1,495.2</b>	<b>1,569.9</b>	<b>1,636.1</b>		
<b>Other income (expense)</b>																					
Interest income																					
Interest (expense)																					
<b>Total other income</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>		
<b>Pretax income</b>		<b>(6.9)</b>	<b>(7.4)</b>	<b>(7.8)</b>	<b>(8.3)</b>	<b>(16.1)</b>	<b>(33.0)</b>	<b>(47.7)</b>	<b>(73.0)</b>	<b>(111.4)</b>	<b>(69.8)</b>	<b>349.1</b>	<b>790.0</b>	<b>1,082.9</b>	<b>1,267.3</b>	<b>1,392.8</b>	<b>1,495.2</b>	<b>1,569.9</b>	<b>1,636.1</b>		
Provision for Income Tax											(1.7)	69.8	237.0	324.9	380.2	417.9	448.6	471.0	490.8		
Effective Tax Rate											2.5%	20.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%		
<b>Net income</b>		<b>(6.93)</b>	<b>(7.35)</b>	<b>(7.80)</b>	<b>(8.30)</b>	<b>(30.4)</b>	<b>(33.0)</b>	<b>(47.7)</b>	<b>(73.0)</b>	<b>(111.4)</b>	<b>(68.0)</b>	<b>279.3</b>	<b>553.0</b>	<b>758.0</b>	<b>887.1</b>	<b>975.0</b>	<b>1,046.6</b>	<b>1,098.9</b>	<b>1,145.3</b>		
Accretion of preferred stock		(0.0)																			
<b>Net income applicable to common shareholders</b>		<b>(6.9)</b>	<b>(7.4)</b>	<b>(7.8)</b>	<b>(8.3)</b>	<b>(30.4)</b>	<b>(33.0)</b>	<b>(47.7)</b>	<b>(73.0)</b>	<b>(111.4)</b>	<b>(68.0)</b>	<b>279.3</b>	<b>553.0</b>	<b>758.0</b>	<b>887.1</b>	<b>975.0</b>	<b>1,046.6</b>	<b>1,098.9</b>	<b>1,145.3</b>		
<b>Basic EPS to common shareholders</b>		<b>\$ (0.47)</b>	<b>\$ (0.49)</b>	<b>\$ (0.52)</b>	<b>\$ (0.54)</b>	<b>\$ (2.04)</b>	<b>\$ (1.64)</b>	<b>\$ (1.96)</b>	<b>\$ (2.98)</b>	<b>\$ (4.32)</b>	<b>\$ (2.58)</b>	<b>\$ 10.48</b>	<b>\$ 20.54</b>	<b>\$ 27.88</b>	<b>\$ 32.30</b>	<b>\$ 35.15</b>	<b>\$ 37.36</b>	<b>\$ 38.83</b>	<b>\$ 40.07</b>		
<b>Diluted EPS to common shareholders</b>		<b>\$ (0.47)</b>	<b>\$ (0.49)</b>	<b>\$ (0.52)</b>	<b>\$ (0.54)</b>	<b>\$ (2.04)</b>	<b>\$ (1.64)</b>	<b>\$ (1.96)</b>	<b>\$ (2.98)</b>	<b>\$ (4.32)</b>	<b>\$ (2.58)</b>	<b>\$ 8.88</b>	<b>\$ 17.41</b>	<b>\$ 23.63</b>	<b>\$ 27.38</b>	<b>\$ 29.84</b>	<b>\$ 31.76</b>	<b>\$ 33.07</b>	<b>\$ 34.12</b>		
Basic Shares Outstanding		14.693	14.913	15.137	15.364	14.915	20.080	24.281	24.524	25.750	26.394	26.658	26.924	27.194	27.466	27.740	28.018	28.298	28.581		
Diluted Shares Outstanding		14.693	14.913	15.137	15.364	14.915	20.080	24.281	24.524	25.750	26.394	31.445	31.759	32.077	32.397	32.672	32.949	33.230	33.562		
% change in diluted shares outstanding			1.5%	1.5%	1.5%	1052%	6.1%	1.0%	1.0%	5.0%	2.5%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%		

**Table 8. Upcoming Milestones**

Milestone	Date
• Initiation of VS-4718 Phase I healthy volunteer study	1Q 2013
• Initiation of VS-4718 Phase I study in patients with solid tumors	2Q 2013
• Initiation of VS-6063 Phase II study in patients with mesothelioma	2Q 2013
• Initiation of VS-5584 Phase I study in patients with solid tumors	2H 2013
• VS-6063 Phase I combination study	1H 2014

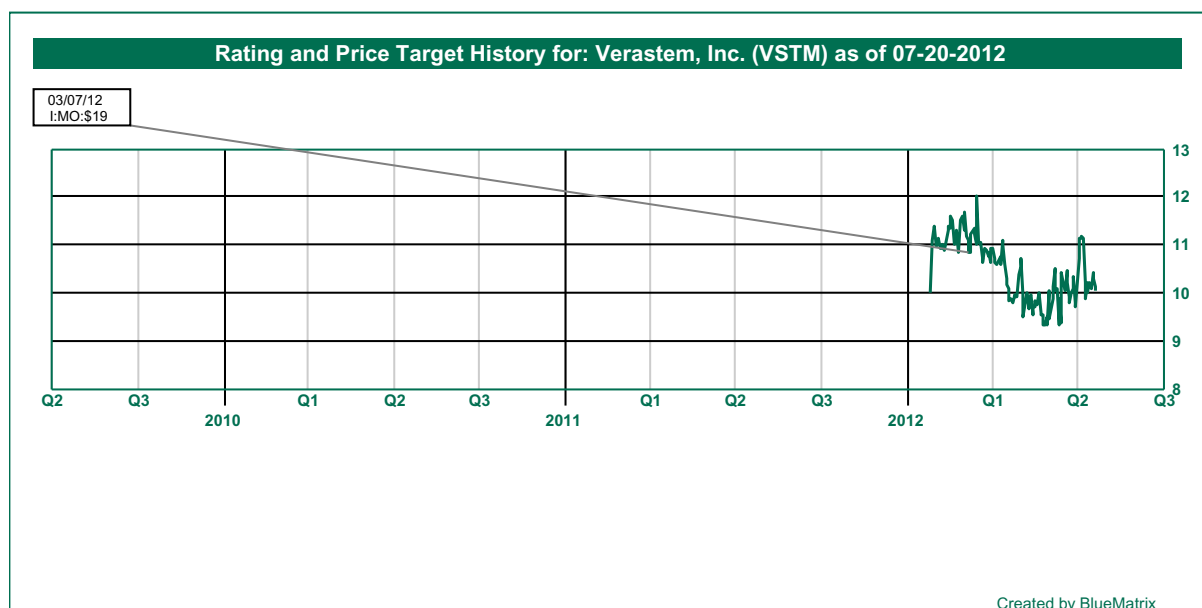
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### RETURN ASSESSMENT

- **Market Outperform (Buy):** The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector, as defined by First Call.
- **Market Perform (Hold):** The common stock of the company is expected to mimic the performance of a passive index comprised of all the common stock of companies within the same sector, as defined by First Call.
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### RISK ASSESSMENT

- **Speculative -** The common stock risk level is significantly greater than market risk. The stock price of these equities is exceptionally volatile.
- **Aggressive -** The common stock risk level is materially higher than market level risk. The stock price is typically more volatile than the general market.
- **Moderate -** The common stock is moderately risky, or equivalent to stock market risk. The stock price volatility is typically in-line with movements in the general market.



### RATING SUMMARY

Distribution of Ratings Table				
Rating	Count	Percent	IB Serv./Past 12 Mos	
			Count	Percent
Market Outperform(MO)	20	29.85%	3	15.00%
Market Perform(MP)	4	5.97%	0	0.00%
Market Underperform(MU)	2	2.99%	0	0.00%
Under Review(UR)	41	61.19%	9	21.95%
Total	67	100%	12	100%

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