

Equity Research

February 28, 2014

Price: \$31.82 (02/27/2014)

Price Target: NA

OUTPERFORM (1)

Simos Simeonidis, Ph.D.

646.562.1386

simos.simeonidis@cowen.com

Yatin Suneja

646.562.1388

yatin.suneja@cowen.com

Key Data

| | |
|------------------------|-----------------|
| Symbol | NASDAQ: EPZM |
| 52-Week Range: | \$45.72 - 15.00 |
| Market Cap (MM): | \$1,197.0 |
| Net Debt (MM): | \$0.0 |
| Cash/Share: | \$6.90 |
| Dil. Shares Out (MM): | 37.4 |
| Enterprise Value (MM): | \$939.0 |
| ROIC: | NA |
| ROE (LTM): | NA |
| BV/Share: | NA |
| Dividend: | NA |

| FY (Dec) | 2012A | 2013A | 2014E |
|---------------------------|----------|----------|----------|
| Earnings Per Share | | | |
| Q1 | \$(3.38) | \$(4.27) | \$(0.45) |
| Prior Q1 | - | - | \$(0.40) |
| Q2 | \$0.20 | \$(0.25) | \$(0.52) |
| Prior Q2 | - | - | \$0.32 |
| Q3 | \$0.18 | \$(0.34) | \$(0.51) |
| Prior Q3 | - | - | \$(0.39) |
| Q4 | \$(2.81) | \$0.52 | \$(0.22) |
| Prior Q4 | - | \$(0.39) | \$(0.10) |
| Year | \$(0.72) | \$(0.22) | \$(1.71) |
| Prior Year | - | \$(1.82) | \$(0.52) |
| P/E | NM | NM | NM |
| Consensus EPS | - | \$(0.22) | \$(1.09) |
| Prior Year | - | \$(1.45) | - |

Consensus source: Thomson Reuters

Revenue (MM)

| | | | |
|------------|--------|--------|--------|
| Year | \$45.2 | \$68.5 | \$37.8 |
| Prior Year | - | \$40.2 | \$60.8 |

Earnings Update

Epizyme gets ready for more trials and data read-outs with strong balance sheet

The Cowen Insight

Epizyme reported 4Q13 last night and provided a pipeline update. The EPZ-5676 trial's expansion stage is ongoing, with data expected 2H14, with a pediatric trial planned for 1H14. The EPZ-6438 dose escalation trial is ongoing, with data also expected in 2H14, and Phase II trials in synovial sarcoma and NHL EZH2-mutant patients expected after completion of the dose escalation part of the trial.

EPZ5676 expansion stage ongoing, data 2H14; pediatric trial planned for 1H14

The Phase I expansion cohort is currently enrolling MLL-r and MLL-PTD patients, with data expected to be presented at a medical conference in 2H14. Epizyme also expects to start a Phase Ib study of EPZM-5676 in MLL-r pediatric patients in 1H14.

EPZ 6438 dose escalation ongoing, data also 2H14; more trials planned

The Phase I dose escalation, all-comer study was initiated last June, and data is expected in 2H14. To date, no dose-limiting toxicities have been observed. Upon completion of Phase I enrollment, the company plans to initiate a Phase II study enrolling only EZH2-mutated NHL patients. The company also plans to expand the indication by initiating a Phase II study in synovial sarcoma patients.

4Q13 numbers reported; \$20M spent in 4Q, has \$258M in pro-forma cash.

Epizyme spent \$20.1M (\$15.7M in R&D, \$4.4M in SG&A) in 4Q13 vs. the \$13.4M (\$11.1M in R&D, \$2.3M in SG&A) spent in 4Q12, and ended 4Q13 with \$157.2M in cash and following the \$101M in net proceeds from its February offering, its pro-forma cash position is \$258M. The company expects cash used in operations in 2013 to be ~\$80M, and guided that it expects to end 2014 with ~\$170M in cash.

What's next for EPZM?

1) Initiation of Phase Ib trial of EPZ-5676 in pediatric MLL-r patients, 1H14; 2) Completion of Phase I dose-escalation study of EPZ-6438, initiation of Phase II portion (EZH2-mutated patients only), 2H14; 3) Initiation of EPZ-6438 POC trial in synovial sarcoma, 2014, and 4) Dose-escalation and MLL-r/MLL-PTD EPZ-5676 data, 2H14

Our thesis on EPZM

Both EPZ-5676 and EPZ-6438 target high unmet medical need hematology indications, with genetically defined patient populations. Epizyme has formed three partnerships since 2011 (GSK, Eisai, Celgene), which have provided 1) big pharma validation for its R&D efforts, and 2) \$183M in actual cash as of today, with another \$1B in potential milestones. It is obvious to investors that Epizyme's early stage of development comes with both significant clinical risk and potential downside to an EPZM investment. However, we believe EPZM will continue to trade at a premium to its conventional peers, given: 1) the novelty of its targets, and 2) the value that investors would assign to the company's platform of additional HMT targets, IP, and know-how. And we believe that if one of its first two clinical candidates is successful, Epizyme, with its IP and leading position in HMT biology, could become an acquisition target.

At A Glance

Our Investment Thesis

Both of Epizyme's clinical programs, EPZ-5676 and EPZ-6438, target high unmet medical need hematology/oncology indications, with genetically defined patient populations. Epizyme has formed three partnerships since 2011 (GSK, Eisai, Celgene), which have provided 1) big pharma validation for its R&D efforts and 2) \$183M in cash as of today, with another \$1B in possible milestones. It is obvious to investors that Epizyme's early stage of development comes with both significant clinical risk and potential downside to an EPZM investment. However, we believe EPZM will continue to trade at a premium to its conventional peers, given: 1) the novelty of its targets, and 2) the value that investors would assign to the company's "platform" of additional HMT targets, IP, and know-how. And we believe that *if* one of the first two indications works, Epizyme, with its IP and leading position in HMT biology, becomes an acquisition target.

Base Case Assumptions

- EPZ-5676 and EPZ-6438 demonstrate clinical proof-of-concept
- EPZ-5676 and EPZ-6438 successfully advance into pivotal Phase II/III development
- Advancement of another preclinical HMT target into clinical development

Upside Scenario

- Additional pharma/biotech partnerships for new/undisclosed HMT targets
- Multiple HMT candidates advancing into clinical development
- Acquisition of EPZM by big pharma/biotech seeking access to its HMT platform, IP, and know-how

Forthcoming Catalysts

- Initiation of Phase I trial of EPZ-5676 in pediatric MLL-r, 1H14
- Initiation of EPZ-6438 Phase II POC trial in synovial sarcoma, 2014
- Initiation of EPZ-6438 Phase II trial in EZH2 mutated NHL patients, 2014
- Dose-escalation and MLL-r/MLL-PTD EPZ-5676 trial data, 2H14
- Completion of Phase I dose-escalation study of EPZ-6438 and data disclosure, 2H14

Price Performance



Source: Bloomberg

Company Description

Epizyme is focused on epigenetics and development of small molecule inhibitors against histone methyltransferases (HMTs), which play a key role in the regulation of gene expression. Epizyme's pipeline includes: **1) EPZ-5676**, an IV, small molecule inhibitor of DOT1L, a well-characterized HMT, partnered with Celgene ex-US, and currently in a Phase I trial in MLL-rearranged leukemia, an aggressive subtype of acute leukemia (AML and ALL), and **2) EPZ-6438**, an oral, small molecule inhibitor of EZH2, another well-characterized HMT, partnered with Eisai WW and in a Phase I/II trial for genetically defined subtypes of NHL. Epizyme also has collaborations with GSK to develop and commercialize small molecule HMT inhibitors, directed against up to three undisclosed targets. These three collaborations have generated \$183M in realized funding for the company. Epizyme was founded in November 2007, and went public in May 2013. The company is headquartered in Cambridge, MA and has 49 employees.

Analyst Top Picks

| | Ticker | Price (02/27/2014) | Price Target | Rating |
|-----------------------|--------|--------------------|--------------|------------|
| Endocyte | ECYT | \$14.46 | \$NA | Outperform |
| Orexigen Therapeutics | OREX | \$7.47 | \$10.00 | Outperform |
| Nektar | NKTR | \$13.06 | \$17.00 | Outperform |

Investment Thesis

Epizyme is a biotech company focusing on the epigenetics space and the first company to enter the clinic with highly selective inhibitors of histone methyltransferases, a novel class of epigenetic targets, which play a key role in fine-tuning the transcriptional regulation of gene expression.

Employing the Xalkori/Zelboraf model in hematology, harnessing the power of epigenetics: Both of Epizyme's clinical programs are targeting high unmet medical need hematology/oncology indications (leukemia for EPZ-5676 and lymphoma for EPZ-6438), with genetically defined patient populations, and are being developed together with companion diagnostics. Epizyme is taking a page out of Pfizer's and Roche's playbooks, aiming to emulate the quick-to-market success of next-generation, truly-targeted cancer therapies plus companion diagnostics, Xalkori and Zelboraf, that at least partly due to appropriate patient screening of ALK and BRAF mutational status in lung cancer and melanoma, respectively, were able to make it from first patient treated to approval in about five years.

This development strategy aims for the most appropriate patient selection that, in addition to requiring smaller trials, could result in maximizing the drug's efficacy while minimizing safety and tolerability issues. Taking this approach a step further, when dealing with an orphan disease with a significant unmet medical need, a drug with these characteristics could command premium pricing and could be commercialized by a small specialty salesforce in the US.

First clinical data provided MOA validation and investor excitement...Epizyme initiated its first clinical trial with EPZ-5676, its first ever clinical program, in September 2012. EPZ-5676 targets DOT1L, a histone methyltransferase (HMT) that is recruited to the "wrong" transcriptional complexes in patients with MLL-rearranged leukemia, leading to inappropriate gene expression. In August 2013, Epizyme announced that the FDA had granted orphan drug designation to EPZ-5676. This program is developed in collaboration with Celgene, with Epizyme owning US rights. Data from the first handful of patients treated with EPZ-5676 were consistent with the drug's mechanism of action, as seen in tissue culture and animals, and generated significant interest among investors. The hematologists we consulted with confirmed both the "*significant unmet need*" and "*very poor prognosis*" of MLL-r patients and were encouraged by the preclinical data, and especially by the response seen in the first MLL-r patient treated in the Phase I trial of EPZ-5676.

...but subsequent Phase I results for EPZ-5676 caused panic...In November 2013, Epizyme announced initial results from the ongoing Phase I dose-escalation study. Four dose cohorts (12, 24, 36, and 54 mg/m²/day on a 21-day on/7-day off administration schedule) were completed, with 16 heavily pre-treated patients, 8 of whom had acute leukemia with MLL-r. There were no DLTs observed, and the MTD was not reached. Early evidence of treatment effects were observed in 4 out of the 8 acute leukemia MLL-r patients, including reduction in circulating blasts (2nd cohort), reduction in marrow blasts (4th dose cohort), maturation in blood and marrow (3rd and 4th cohorts), as well as symptomatic improvements, such as resolution of fevers and cachexia. Treatment effects appeared to be selective, as no effects were observed in non-MLL-r patients. On the day of the announcement, EPZM shares were down 40% based on these data.

...but two months later achieved proof of concept (POC) in the DOT1L program. In January 2014, Epizyme announced that it has achieved the proof of concept (POC)

milestone in the EPZ-5676 DOT1L inhibitor clinical program, which entitled it to receive a \$25M milestone payment from its collaboration partner Celgene. This milestone was triggered by the achievement of objective responses in two MLL-r patients that are currently enrolled in the fourth dose cohort (54 mg/m²/day) in the ongoing dose escalation stage of the Phase I trial of EPZ-5676. The protocol was modified for these two patients, allowing them to receive continuous infusion. This was a very positive news for Epizyme, especially the disclosure about the two 4th cohort patients (54mg/m²/day, not a particularly high dose, by the way, especially given the disease state and the safety profile) that were on the 21/7 schedule and achieved objective responses after being switched to the continuous infusion schedule.

And there's more to come over the next 12 months: In 1Q14, Epizyme plans to initiate a Phase Ib study in pediatric MLL-r patients with a total enrollment of ~20-30 patients (similar in design to the current Phase I trial, with dose-escalation and expansion stages). Also, a trial in MLL-PTD patients was initiated in 1Q14.

Second program in the clinic initiated recently; Phase II portion expected to start in 2014: Epizyme initiated the Phase I/II study of EPZ-6438, its second clinical program, an EZH2 inhibitor, in June 2013, in patients with advanced solid tumors and hematologic malignancies, including Diffuse Large B-Cell Lymphoma (DLBCL) and Follicular Lymphoma (FL). We consulted with a number of hematologists that treat both diseases and familiar with the epigenetic space and the EZH2 mutation population in particular. Similar to the situation in MLL-r, our consultants believe that there's a real need for targeted agents in the space and were encouraged by the preclinical data Epizyme has produced thus far. This program is developed in collaboration with Eisai, with Epizyme having the option to co-promote in the US. Management has guided that the Phase II portion of the study, which will only include patients with EZH2 mutations, will be initiated in 2014, after completion of the dose-escalation study. In parallel with the Phase II trial, Epizyme also plans to initiate proof-of-concept trials for EPZ-6438 in patients with INI1-deficient tumors, focusing on synovial sarcoma, in 2014.

Multiple partnerships provide cash and validation, but without having given away the store: Epizyme has formed three partnerships since 2011 (GSK, Eisai, Celgene), which have provided 1) big pharma validation for its R&D efforts and 2) \$183M in cash as of today, with another \$1B in possible milestones. Epizyme has managed to get this, while retaining US rights in one case (Celgene), and the option to co-promote in the US (Eisai) in another.

It's still very early, and there's obviously significant clinical and downside risk... It is obvious to investors that given Epizyme's early stage of development, there are both significant clinical risk (both of the company's clinical programs are in Phase I trials, with only early data reported thus far), and a lot of potential downside to an investment in EPZM, given the company's \$1.2B valuation.

...but we believe that if one of the first two indications works, Epizyme, with its leading IP and know-how position in HMT biology, becomes an acquisition target. With that in mind, we also believe that even though Epizyme is built and operated to function as a stand-alone, fully-integrated biotech, with R&D, sales, and marketing in the US, *should* one of its first two clinical programs result in a clinical, regulatory, or commercial success, given its leading position in the HMT space, the company would become a very attractive acquisition target by a larger biopharma interested in owning all its clinical and preclinical assets, IP, and know-how.

We expect investors to continue to assign a premium to Epizyme's valuation. We believe Epizyme's market cap and EV are certainly outliers when looked at by standard valuation metrics for biotechs, given its early stage of development. However, we believe that this is a company that will continue to trade at a premium to what would have been considered its conventional peers, given among others, 1) the novelty of its targets and 2) the value that investors would assign to the company's "platform" of additional HMT targets, IP, and know-how.

EPZ-5676 Revenue Model (\$MM)

| US EPZ-5676 MLL-r Revenue Model | 2019E | 2014E | 2015E | 2016E | 2017E | 2018E | 2019E | 2020E | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E | 2032E |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| US population | 319,518,584 | 322,394,251 | 325,295,800 | 328,223,462 | 331,177,473 | 334,158,070 | 337,165,493 | 340,199,982 | 343,261,782 | 346,351,138 | 349,468,298 | 352,613,513 | 355,787,035 | 358,989,118 | 362,220,020 | 365,480,000 | 368,769,320 | 372,088,244 | 375,437,038 | 378,815,972 |
| Population growth | 0.90% | 0.90% | 0.90% | 0.90% | 0.90% | 0.90% | 0.90% | 0.90% | 0.90% | 0.90% | 0.90% | 0.90% | 0.90% | 0.90% | 0.90% | 0.90% | 0.90% | 0.90% | 0.90% | 0.90% |
| # of new leukemia cases | 48,610 | 49,047 | 49,489 | 49,934 | 50,384 | 50,837 | 51,295 | 51,756 | 52,222 | 52,692 | 53,166 | 53,645 | 54,128 | 54,615 | 55,106 | 55,602 | 56,103 | 56,608 | 57,117 | 57,631 |
| # of leukemia patients with ALL | 6,070 | 6,125 | 6,180 | 6,235 | 6,291 | 6,348 | 6,405 | 6,463 | 6,521 | 6,580 | 6,639 | 6,699 | 6,759 | 6,820 | 6,881 | 6,943 | 7,006 | 7,069 | 7,132 | 7,196 |
| % of leukemia patients with ALL | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% |
| % of ALL patients with MLL-r | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% |
| # of ALL patients with MLL-r | 607 | 612 | 618 | 624 | 629 | 635 | 641 | 646 | 652 | 658 | 664 | 670 | 676 | 682 | 688 | 694 | 701 | 707 | 713 | 720 |
| % of patients treated in the 1st-line setting | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% |
| # of patients treated in the 1st-line setting | 577 | 582 | 587 | 592 | 598 | 603 | 608 | 614 | 620 | 625 | 631 | 636 | 642 | 648 | 654 | 660 | 666 | 672 | 678 | 684 |
| % relapse rate | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% |
| # of ALL patients with MLL-r eligible for treatment | 404 | 407 | 411 | 415 | 418 | 422 | 426 | 430 | 434 | 438 | 441 | 445 | 448 | 454 | 458 | 462 | 466 | 470 | 474 | 479 |
| # of leukemia patients with AML | 14,590 | 14,721 | 14,854 | 14,987 | 15,122 | 15,258 | 15,396 | 15,534 | 15,674 | 15,815 | 15,958 | 16,101 | 16,246 | 16,392 | 16,540 | 16,689 | 16,839 | 16,990 | 17,143 | 17,298 |
| % of leukemia patients with AML | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% |
| % of AML patients with MLL-r | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% |
| # of AML patients with MLL-r | 1,459 | 1,472 | 1,485 | 1,499 | 1,512 | 1,526 | 1,540 | 1,553 | 1,567 | 1,582 | 1,596 | 1,610 | 1,625 | 1,639 | 1,654 | 1,669 | 1,684 | 1,699 | 1,714 | 1,730 |
| % of patients treated in the 1st-line setting | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% |
| # of patients treated in the 1st-line setting | 1,386 | 1,399 | 1,411 | 1,424 | 1,437 | 1,450 | 1,463 | 1,476 | 1,489 | 1,502 | 1,516 | 1,530 | 1,543 | 1,557 | 1,571 | 1,585 | 1,600 | 1,614 | 1,629 | 1,643 |
| % relapse rate | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% |
| # of AML patients with MLL-r eligible for treatment | 1,021 | 1,030 | 1,040 | 1,049 | 1,059 | 1,068 | 1,078 | 1,087 | 1,097 | 1,107 | 1,117 | 1,127 | 1,137 | 1,147 | 1,158 | 1,168 | 1,179 | 1,189 | 1,200 | 1,211 |
| Total # of ALL+AML MLL-r patients eligible for treatment | 1,425 | 1,438 | 1,451 | 1,464 | 1,477 | 1,490 | 1,504 | 1,517 | 1,531 | 1,545 | 1,559 | 1,573 | 1,587 | 1,601 | 1,615 | 1,630 | 1,645 | 1,659 | 1,674 | 1,689 |
| % EPZ-5676 penetration | - | - | - | - | 22% | 45% | 65% | 75% | 75% | 75% | 75% | 75% | 75% | 75% | 75% | 75% | 75% | 75% | 75% | 75% |
| # of patients treated with EPZ-5676 | - | - | - | - | 222 | 671 | 977 | 1,138 | 1,148 | 1,158 | 1,169 | 1,179 | 1,190 | 1,201 | 1,212 | 1,222 | 1,233 | 1,245 | 1,256 | 1,267 |
| Annual treatment cost | \$125,000 | \$127,500 | \$130,050 | \$132,651 | \$135,304 | \$138,010 | \$140,770 | \$143,586 | \$146,457 | \$149,387 | \$152,374 | \$155,422 | \$158,530 | \$161,701 | \$164,935 | \$168,234 | \$171,598 | \$175,030 | \$178,531 | \$182,101 |
| % price increase | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% |
| Total US Sales (\$MM) | \$0 | \$0 | \$0 | \$0 | \$80 | \$89 | \$188 | \$168 | \$168 | \$178 | \$178 | \$188 | \$188 | \$198 | \$198 | \$200 | \$208 | \$212 | \$218 | \$224 |
| EU EPZ-5676 MLL-r Revenue Model | 2019E | 2014E | 2015E | 2016E | 2017E | 2018E | 2019E | 2020E | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E | 2032E |
| EU population | 504,393,990 | 504,898,300 | 505,403,198 | 505,908,601 | 506,414,510 | 506,920,925 | 507,427,845 | 507,935,273 | 508,443,209 | 508,951,652 | 509,460,003 | 509,970,064 | 510,480,034 | 510,990,514 | 511,501,505 | 512,013,006 | 512,525,019 | 513,037,544 | 513,550,582 | 514,064,132 |
| Population growth | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% |
| # of new leukemia cases | 62,284 | 62,347 | 62,409 | 62,471 | 62,534 | 62,596 | 62,659 | 62,722 | 62,784 | 62,847 | 62,910 | 62,973 | 63,036 | 63,099 | 63,162 | 63,225 | 63,288 | 63,352 | 63,415 | 63,478 |
| % of leukemia patients with ALL | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% |
| # of leukemia patients with ALL | 7,778 | 7,785 | 7,793 | 7,801 | 7,809 | 7,816 | 7,824 | 7,832 | 7,840 | 7,848 | 7,856 | 7,864 | 7,871 | 7,879 | 7,887 | 7,895 | 7,903 | 7,911 | 7,919 | 7,927 |
| % of ALL patients with MLL-r | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% |
| # of ALL patients with MLL-r | 778 | 779 | 779 | 780 | 781 | 782 | 782 | 783 | 784 | 785 | 786 | 786 | 787 | 788 | 789 | 790 | 790 | 791 | 792 | 793 |
| % of patients treated in the 1st-line setting | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% |
| # of patients treated in the 1st-line setting | 739 | 740 | 740 | 741 | 742 | 743 | 743 | 744 | 745 | 746 | 746 | 747 | 748 | 749 | 749 | 750 | 751 | 752 | 752 | 753 |
| % relapse rate | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% |
| # of ALL patients with MLL-r eligible for treatment | 517 | 518 | 518 | 519 | 519 | 520 | 520 | 521 | 521 | 522 | 522 | 523 | 523 | 524 | 524 | 525 | 526 | 526 | 527 | 527 |
| # of leukemia patients with AML | 18,694 | 18,713 | 18,732 | 18,750 | 18,769 | 18,788 | 18,807 | 18,825 | 18,844 | 18,863 | 18,882 | 18,901 | 18,920 | 18,939 | 18,958 | 18,977 | 18,996 | 19,015 | 19,034 | 19,053 |
| % of leukemia patients with AML | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% |
| % of AML patients with MLL-r | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% |
| # of AML patients with MLL-r | 1,869 | 1,871 | 1,873 | 1,875 | 1,877 | 1,879 | 1,881 | 1,883 | 1,884 | 1,886 | 1,888 | 1,890 | 1,892 | 1,894 | 1,896 | 1,898 | 1,900 | 1,901 | 1,903 | 1,905 |
| % of patients treated in the 1st-line setting | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% |
| # of patients treated in the 1st-line setting | 1,776 | 1,778 | 1,780 | 1,781 | 1,783 | 1,785 | 1,787 | 1,789 | 1,790 | 1,792 | 1,794 | 1,796 | 1,797 | 1,799 | 1,801 | 1,803 | 1,805 | 1,806 | 1,808 | 1,810 |
| % relapse rate | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% |
| # of AML patients with MLL-r eligible for treatment | 1,300 | 1,310 | 1,311 | 1,313 | 1,314 | 1,315 | 1,316 | 1,318 | 1,319 | 1,320 | 1,322 | 1,323 | 1,324 | 1,326 | 1,327 | 1,328 | 1,330 | 1,331 | 1,332 | 1,334 |
| Total # of ALL+AML MLL-r patients eligible for treatment | 1,826 | 1,828 | 1,829 | 1,831 | 1,833 | 1,835 | 1,837 | 1,839 | 1,840 | 1,842 | 1,844 | 1,846 | 1,848 | 1,850 | 1,852 | 1,853 | 1,855 | 1,857 | 1,859 | 1,861 |
| % EPZ-5676 penetration | - | - | - | - | 0% | 0% | 15% | 45% | 65% | 75% | 75% | 75% | 75% | 75% | 75% | 75% | 75% | 75% | 75% | 75% |
| # of patients treated with EPZ-5676 | - | - | - | - | - | 275 | 827 | 1,195 | 1,380 | 1,382 | 1,383 | 1,384 | 1,386 | 1,387 | 1,389 | 1,390 | 1,391 | 1,393 | 1,394 | 1,396 |
| Annual treatment cost | \$93,750 | \$95,625 | \$97,538 | \$99,488 | \$101,478 | \$103,508 | \$105,578 | \$107,689 | \$109,843 | \$112,040 | \$114,281 | \$116,566 | \$118,898 | \$121,276 | \$123,701 | \$126,175 | \$128,699 | \$131,273 | \$133,898 | \$136,576 |
| % price increase | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% |
| Total EU Sales (\$MM) | \$0 | \$0 | \$0 | \$0 | \$0 | \$28 | \$67 | \$128 | \$182 | \$185 | \$188 | \$191 | \$195 | \$198 | \$201 | \$204 | \$207 | \$210 | \$213 | \$216 |
| Total US/EU sales (\$MM) | \$0 | \$0 | \$0 | \$0 | \$80 | \$121 | \$226 | \$292 | \$320 | \$328 | \$336 | \$346 | \$353 | \$362 | \$372 | \$381 | \$391 | \$401 | \$411 | \$421 |

Source: Cowen and Company

EPZ-6438 Revenue Model (\$MM)

| | 2019E | 2014E | 2015E | 2016E | 2017E | 2018E | 2019E | 2020E | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E | 2032E |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| US EPZ-6438 Revenue Model | | | | | | | | | | | | | | | | | | | | |
| US population | 319,518,584 | 322,394,251 | 325,295,800 | 328,223,462 | 331,177,473 | 334,158,070 | 337,165,493 | 340,199,982 | 343,261,762 | 346,351,138 | 349,468,298 | 352,613,513 | 355,787,035 | 358,989,118 | 362,220,020 | 365,480,000 | 368,769,320 | 372,088,244 | 375,437,038 | 378,815,972 |
| Population growth | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| # of new non-Hodgkin lymphoma (NHL) cases | 69,740 | 70,368 | 71,001 | 71,640 | 72,285 | 72,935 | 73,592 | 74,254 | 74,922 | 75,597 | 76,277 | 76,963 | 77,656 | 78,355 | 79,060 | 79,772 | 80,490 | 81,214 | 81,945 | 82,683 |
| % of NHL patients with Diffuse large B-cell lymphoma (DLBCL) | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% |
| # of newly diagnosed NHL patients with DLBCL | 20,922 | 21,110 | 21,300 | 21,492 | 21,685 | 21,881 | 22,078 | 22,276 | 22,477 | 22,679 | 22,883 | 23,089 | 23,297 | 23,507 | 23,718 | 23,932 | 24,147 | 24,364 | 24,584 | 24,805 |
| % of patients with DLBCL that are of the GCB-DLBCL subtype | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% |
| # of patients with DLBCL that are of the GCB-DLBCL subtype | 10,461 | 10,555 | 10,650 | 10,746 | 10,843 | 10,940 | 11,039 | 11,138 | 11,238 | 11,339 | 11,442 | 11,545 | 11,648 | 11,753 | 11,859 | 11,966 | 12,073 | 12,182 | 12,292 | 12,402 |
| % of GCB-DLBCL patients with EZH2 mutation | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% |
| # of newly diagnosed GCB-DLBCL patients with the EZH2 mutation | 2,092 | 2,111 | 2,130 | 2,149 | 2,169 | 2,188 | 2,208 | 2,228 | 2,248 | 2,268 | 2,288 | 2,309 | 2,330 | 2,351 | 2,372 | 2,393 | 2,415 | 2,436 | 2,458 | 2,480 |
| % relapse rate | 33% | 33% | 33% | 33% | 33% | 33% | 33% | 33% | 33% | 33% | 33% | 33% | 33% | 33% | 33% | 33% | 33% | 33% | 33% | 33% |
| # of r/r GCB-DLBCL patients | 600 | 607 | 708 | 709 | 710 | 722 | 729 | 735 | 742 | 746 | 755 | 762 | 769 | 779 | 788 | 790 | 797 | 804 | 811 | 819 |
| % of NHL patients with Follicular lymphoma (FL) | 22% | 22% | 22% | 22% | 22% | 22% | 22% | 22% | 22% | 22% | 22% | 22% | 22% | 22% | 22% | 22% | 22% | 22% | 22% | 22% |
| # of NHL patients with Follicular lymphoma (FL) | 15,343 | 15,481 | 15,620 | 15,761 | 15,903 | 16,046 | 16,190 | 16,336 | 16,483 | 16,631 | 16,781 | 16,932 | 17,084 | 17,238 | 17,393 | 17,550 | 17,708 | 17,867 | 18,028 | 18,190 |
| % of patients with FL with EZH2 mutation | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% |
| # of patients with FL with EZH2 mutation | 3,069 | 3,096 | 3,124 | 3,152 | 3,181 | 3,209 | 3,238 | 3,267 | 3,297 | 3,326 | 3,356 | 3,386 | 3,417 | 3,448 | 3,479 | 3,510 | 3,542 | 3,573 | 3,606 | 3,638 |
| % relapse rate | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% |
| # of patients with FL eligible for treatment | 2,915 | 2,941 | 2,968 | 2,996 | 3,022 | 3,049 | 3,078 | 3,104 | 3,132 | 3,160 | 3,188 | 3,217 | 3,246 | 3,275 | 3,305 | 3,334 | 3,364 | 3,395 | 3,426 | 3,458 |
| Total # of eligible patients | 8,006 | 8,098 | 8,071 | 8,704 | 8,787 | 8,771 | 8,805 | 8,890 | 8,978 | 8,908 | 8,944 | 8,979 | 9,015 | 9,051 | 9,087 | 9,124 | 9,161 | 9,198 | 9,237 | 9,276 |
| % EPZ-6438 penetration | - | - | - | - | - | 15% | 45% | 65% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% |
| # of patients treated with EPZ-6438 | - | - | - | - | - | 568 | 1,712 | 2,495 | 2,711 | 2,736 | 2,760 | 2,785 | 2,810 | 2,836 | 2,861 | 2,887 | 2,913 | 2,939 | 2,966 | 2,992 |
| Annual treatment cost | \$125,000 | \$127,500 | \$130,050 | \$132,651 | \$135,304 | \$138,010 | \$140,770 | \$143,586 | \$146,457 | \$149,387 | \$152,374 | \$155,422 | \$158,530 | \$161,701 | \$164,935 | \$168,234 | \$171,598 | \$175,030 | \$178,531 | \$182,101 |
| % price increase | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% |
| Total US Sales (\$MM) | \$0 | \$0 | \$0 | \$0 | \$0 | \$79 | \$241 | \$360 | \$387 | \$408 | \$421 | \$438 | \$448 | \$460 | \$472 | \$480 | \$500 | \$514 | \$529 | \$546 |
| EU EPZ-6438 Revenue Model | | | | | | | | | | | | | | | | | | | | |
| EU population | 504,393,906 | 504,898,300 | 505,403,198 | 505,908,601 | 506,414,510 | 506,920,925 | 507,427,845 | 507,935,273 | 508,443,209 | 508,951,652 | 509,460,603 | 509,970,064 | 510,480,034 | 510,990,514 | 511,501,505 | 512,013,006 | 512,525,019 | 513,037,544 | 513,550,582 | 514,064,132 |
| Population growth | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% |
| # of new non-Hodgkin lymphoma (NHL) cases | 78,847 | 79,525 | 79,005 | 79,084 | 79,163 | 79,242 | 79,321 | 79,400 | 79,480 | 79,559 | 79,639 | 79,718 | 79,798 | 79,878 | 79,958 | 80,038 | 80,118 | 80,198 | 80,278 | 80,358 |
| % of NHL patients with Diffuse large B-cell lymphoma (DLBCL) | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% |
| # of NHL patients with DLBCL | 23,654 | 23,678 | 23,701 | 23,725 | 23,749 | 23,773 | 23,796 | 23,820 | 23,844 | 23,868 | 23,892 | 23,916 | 23,939 | 23,963 | 23,987 | 24,011 | 24,035 | 24,059 | 24,083 | 24,108 |
| % of patients with DLBCL that is of the GCB-DLBCL subtype | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% |
| # of patients with DLBCL that is of the GCB-DLBCL subtype | 11,827 | 11,829 | 11,851 | 11,863 | 11,874 | 11,886 | 11,898 | 11,910 | 11,922 | 11,934 | 11,946 | 11,958 | 11,970 | 11,982 | 11,994 | 12,006 | 12,018 | 12,030 | 12,042 | 12,054 |
| % of GCB-DLBCL patients with EZH2 mutation | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% |
| # of GCB-DLBCL patients with EZH2 mutation | 2,365 | 2,368 | 2,370 | 2,373 | 2,375 | 2,377 | 2,380 | 2,382 | 2,384 | 2,387 | 2,389 | 2,392 | 2,394 | 2,396 | 2,399 | 2,401 | 2,404 | 2,406 | 2,408 | 2,411 |
| % relapse rate | 33% | 33% | 33% | 33% | 33% | 33% | 33% | 33% | 33% | 33% | 33% | 33% | 33% | 33% | 33% | 33% | 33% | 33% | 33% | 33% |
| # of patients with DLBCL eligible for treatment | 761 | 761 | 762 | 763 | 764 | 764 | 765 | 766 | 767 | 768 | 768 | 769 | 769 | 770 | 771 | 772 | 773 | 774 | 775 | 776 |
| % of NHL patients with Follicular lymphoma (FL) | 22% | 22% | 22% | 22% | 22% | 22% | 22% | 22% | 22% | 22% | 22% | 22% | 22% | 22% | 22% | 22% | 22% | 22% | 22% | 22% |
| # of NHL patients with Follicular lymphoma (FL) | 17,346 | 17,364 | 17,381 | 17,398 | 17,416 | 17,433 | 17,451 | 17,468 | 17,486 | 17,503 | 17,521 | 17,538 | 17,556 | 17,573 | 17,591 | 17,608 | 17,626 | 17,644 | 17,661 | 17,679 |
| % of patients with FL with EZH2 mutation | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% |
| # of patients with FL with EZH2 mutation | 3,469 | 3,473 | 3,476 | 3,480 | 3,483 | 3,487 | 3,490 | 3,494 | 3,497 | 3,501 | 3,504 | 3,508 | 3,511 | 3,515 | 3,518 | 3,522 | 3,525 | 3,529 | 3,532 | 3,536 |
| % relapse rate | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% |
| # of patients with FL eligible for treatment | 8,268 | 8,280 | 8,302 | 8,300 | 8,309 | 8,312 | 8,310 | 8,319 | 8,322 | 8,328 | 8,329 | 8,332 | 8,330 | 8,332 | 8,330 | 8,330 | 8,342 | 8,340 | 8,352 | 8,350 |
| Total # of eligible patients | 4,076 | 4,060 | 4,066 | 4,080 | 4,088 | 4,087 | 4,101 | 4,105 | 4,109 | 4,118 | 4,117 | 4,121 | 4,128 | 4,130 | 4,134 | 4,138 | 4,142 | 4,146 | 4,150 | 4,156 |
| % EPZ-6438 penetration | - | - | - | - | - | 0% | 15% | 45% | 65% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% |
| # of patients treated with EPZ-6438 | - | - | - | - | - | - | 615 | 1,847 | 2,671 | 2,879 | 2,882 | 2,885 | 2,888 | 2,891 | 2,894 | 2,897 | 2,900 | 2,902 | 2,905 | 2,908 |
| Cost per month | \$93,750 | \$95,625 | \$97,538 | \$99,488 | \$101,478 | \$103,508 | \$105,578 | \$107,689 | \$109,843 | \$112,040 | \$114,281 | \$116,566 | \$118,898 | \$121,276 | \$123,701 | \$126,175 | \$128,699 | \$131,273 | \$133,898 | \$136,576 |
| % price increase | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% |
| Total EU Sales (\$MM) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$65 | \$180 | \$288 | \$288 | \$289 | \$290 | \$294 | \$294 | \$291 | \$289 | \$295 | \$297 | \$300 | \$307 |
| Total US/EU sales (\$MM) | \$0 | \$0 | \$0 | \$0 | \$0 | \$79 | \$249 | \$367 | \$397 | \$409 | \$421 | \$438 | \$448 | \$460 | \$472 | \$480 | \$500 | \$514 | \$529 | \$546 |

Source: Cowen and Company

EPZ-6438 NPV Analysis

| (\$MM) | 2014E | 2015E | 2016E | 2017E | 2018E | 2019E | 2020E | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E | 2032E |
|--|---------------|--------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| EPZ-5676 Revenue | | | | | | | | | | | | | | | | | | | |
| Total US Sales (\$MM) | - | - | - | 30.0 | 92.6 | 137.6 | 163.4 | 168.2 | 173.1 | 178.1 | 183.3 | 188.7 | 194.2 | 199.8 | 205.7 | 211.7 | 217.8 | 224.2 | 230.7 |
| Total EU royalties (\$MM) | - | - | - | - | 1.4 | 6.1 | 11.6 | 16.7 | 20.1 | 23.7 | 24.2 | 24.7 | 25.2 | 25.8 | 26.3 | 26.9 | 27.4 | 28.0 | 28.6 |
| Total Revenue to EPZM (\$MM) | 0.0 | 0.0 | 0.0 | 30.0 | 94.0 | 143.7 | 175.0 | 184.8 | 193.2 | 201.8 | 207.5 | 213.4 | 219.4 | 225.6 | 232.0 | 238.5 | 245.3 | 252.2 | 259.3 |
| Milestone payments received from partner | - | - | 35.0 | 50.0 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| COGS | - | - | - | 3.0 | 9.3 | 12.4 | 13.1 | 13.5 | 13.8 | 14.2 | 14.7 | 15.1 | 15.5 | 16.0 | 16.5 | 16.9 | 17.4 | 17.9 | 18.5 |
| R&D | 15.0 | 9.0 | 9.0 | 7.0 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| SG&A | - | - | 2.1 | 18.7 | 19.0 | 18.4 | 18.7 | 19.0 | 19.3 | 19.7 | 20.1 | 20.4 | 20.8 | 21.1 | 21.5 | 21.9 | 22.3 | 22.6 | 23.0 |
| Tax adjusted EBIT | (15.0) | (9.0) | 23.9 | 51.3 | 62.4 | 101.6 | 114.6 | 106.7 | 104.0 | 109.1 | 112.3 | 115.6 | 119.0 | 122.5 | 126.1 | 129.8 | 133.6 | 137.6 | 141.6 |
| Tax rate | 0% | 0% | 0% | 0% | 5% | 10% | 20% | 30% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% |
| EPZ-5676 free cash flow | (15.0) | (9.0) | 23.9 | 51.3 | 62.4 | 101.6 | 114.6 | 106.7 | 104.0 | 109.1 | 112.3 | 115.6 | 119.0 | 122.5 | 126.1 | 129.8 | 133.6 | 137.6 | 141.6 |
| % y/y growth | | | | | | 63% | 13% | -7% | -2% | 5% | 3% | 3% | 3% | 3% | 3% | 3% | 3% | 3% | 3% |
| Discount Period | 0.84 | 1.84 | 2.84 | 3.84 | 4.84 | 5.84 | 6.84 | 7.84 | 8.84 | 9.84 | 10.84 | 11.84 | 12.84 | 13.84 | 14.84 | 15.84 | 16.84 | 17.84 | 18.84 |
| Discount Factor | 0.92 | 0.84 | 0.76 | 0.69 | 0.63 | 0.57 | 0.52 | 0.47 | 0.43 | 0.39 | 0.36 | 0.32 | 0.29 | 0.27 | 0.24 | 0.22 | 0.20 | 0.18 | 0.17 |
| PV of EPZ-5676 FCF | (13.8) | (7.6) | 18.3 | 35.6 | 39.4 | 58.8 | 59.7 | 50.5 | 44.8 | 42.7 | 40.0 | 37.4 | 35.0 | 32.8 | 30.7 | 28.7 | 26.8 | 25.1 | 23.5 |

| | |
|---|----------------|
| Discount Rate | 10% |
| Perpetual Growth Rate | 2% |
| Final year FCF | \$142 |
| Terminal Value | \$1,805 |
| Discount Factor | 0.17 |
| Present Value of Terminal Value | \$300 |
| Present Value of Cash Flows | \$608 |
| Present Value of Total Cash Flows | \$908 |
| Fully Diluted Shares Outstanding | 37 |
| NPV of EPZ-5676 | \$24.26 |
| Probability of Success | 50% |
| NPV of EPZ-5676 (probability-adjusted) | \$12.13 |

Source: Cowen and Company

EPZ-6438 NPV Analysis

| (\$MM) | 2014E | 2015E | 2016E | 2017E | 2018E | 2019E | 2020E | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E | 2032E |
|---|------------|--------------|---------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| EPZ-6438 Revenues to EPZM | | | | | | | | | | | | | | | | | | | |
| Total US Sales (50% of total US sales) (\$MM) | - | - | - | - | 39.0 | 120.5 | 179.1 | 198.6 | 204.3 | 210.3 | 216.4 | 222.8 | 229.3 | 236.0 | 242.8 | 249.9 | 257.2 | 264.7 | 272.4 |
| Total EU royalties (\$MM) | - | - | - | - | - | 3.2 | 9.9 | 14.7 | 16.1 | 16.5 | 16.8 | 17.2 | 17.5 | 17.9 | 18.3 | 18.7 | 19.1 | 19.5 | 19.9 |
| Total Revenue to EPZM (\$MM) | 0.0 | 0.0 | 0.0 | 0.0 | 39.0 | 123.8 | 189.1 | 213.2 | 220.5 | 226.8 | 233.3 | 239.9 | 246.8 | 253.9 | 261.1 | 268.6 | 276.3 | 284.2 | 292.3 |
| Milestone payments received from partner | 10.0 | 10.0 | - | 20.0 | 25.0 | 25.0 | - | 25.0 | - | 25.0 | - | - | - | - | - | - | - | - | - |
| COGS | - | - | - | - | 3.9 | 10.8 | 14.3 | 15.9 | 16.3 | 16.8 | 17.3 | 17.8 | 18.3 | 18.9 | 19.4 | 20.0 | 20.6 | 21.2 | 21.8 |
| R&D | 3.4 | 12.0 | 10.0 | 7.5 | 2.5 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| SG&A | - | - | - | 2.2 | 9.2 | 9.5 | 9.6 | 9.8 | 9.9 | 10.2 | 10.4 | 10.5 | 10.7 | 10.9 | 11.1 | 11.2 | 11.4 | 11.6 | 11.8 |
| Tax adjusted EBIT | 6.6 | (2.0) | (10.0) | 10.3 | 46.0 | 115.6 | 132.1 | 148.8 | 126.2 | 146.1 | 133.6 | 137.5 | 141.5 | 145.7 | 149.9 | 154.3 | 158.8 | 163.4 | 168.2 |
| Tax rate | 0% | 0% | 0% | 0% | 5% | 10% | 20% | 30% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% |
| EPZ-6438 free cash flow | 6.6 | (2.0) | (10.0) | 10.3 | 46.0 | 115.6 | 132.1 | 148.8 | 126.2 | 146.1 | 133.6 | 137.5 | 141.5 | 145.7 | 149.9 | 154.3 | 158.8 | 163.4 | 168.2 |
| % y/y growth | | | | | | 151% | 14% | 13% | -15% | 16% | -9% | 3% | 3% | 3% | 3% | 3% | 3% | 3% | 3% |
| Discount Period | 0.84 | 1.84 | 2.84 | 3.84 | 4.84 | 5.84 | 6.84 | 7.84 | 8.84 | 9.84 | 10.84 | 11.84 | 12.84 | 13.84 | 14.84 | 15.84 | 16.84 | 17.84 | 18.84 |
| Discount Factor | 0.92 | 0.84 | 0.76 | 0.69 | 0.63 | 0.57 | 0.52 | 0.47 | 0.43 | 0.39 | 0.36 | 0.32 | 0.29 | 0.27 | 0.24 | 0.22 | 0.20 | 0.18 | 0.17 |
| PV of EPZ-6438 FCF | 6.1 | (1.7) | (7.6) | 7.2 | 29.0 | 68.3 | 68.8 | 70.5 | 54.4 | 57.2 | 47.6 | 44.5 | 41.6 | 39.0 | 36.4 | 34.1 | 31.9 | 29.8 | 27.9 |

| | |
|---|----------------|
| Discount Rate | 10% |
| Perpetual Growth Rate | 2% |
| Final year FCF | \$168 |
| Terminal Value | \$2,144 |
| Discount Factor | 0.17 |
| Present Value of Terminal Value | \$356 |
| Present Value of Cash Flows | \$683 |
| Present Value of Total Cash Flows | \$1,039 |
| Fully Diluted Shares Outstanding | 37 |
| NPV of EPZ-6438 | \$27.77 |
| Probability of Success | 40% |
| NPV of EPZ-6438 (probability-adjusted) | \$11.11 |

Source: Cowen and Company

EPZM: Company sum-of-the-parts valuation

| | |
|--|----------------|
| EPZ-5676 (DOT1L) | \$12.13 |
| EPZ-6438 (EZH2) | \$11.11 |
| Platform value | \$13.37 |
| Net Cash | \$6.90 |
| Sum-of-the-parts total value for EPZM | \$43.51 |

Source: Cowen and Company

EPZM: Quarterly P&L (\$MM)

| (\$MM) | 2011A | 2012A | Q1:13A | Q2:13A | Q3:13A | Q4:13A | 2013A | Q1:14E | Q2:14E | Q3:14E | Q4:14E | 2014E | 2015E |
|--|------------------|-----------------|-----------------|-----------------|-----------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenues to EPZM | | | | | | | | | | | | | |
| EPZ-5676 US sales | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EPZ-5676 EU royalties | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EPZ-6438 US sales (50% of total) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EPZ-6438 EU royalties | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Collaboration revenue | 6.9 | 45.2 | 8.9 | 14.8 | 8.4 | 36.3 | 68.5 | 8.5 | 6.5 | 6.5 | 16.5 | 37.8 | 26.1 |
| Total revenue | 6.9 | 45.2 | 8.9 | 14.8 | 8.4 | 36.3 | 68.5 | 8.5 | 6.5 | 6.5 | 16.5 | 37.8 | 26.1 |
| COGS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| R&D | 22.9 | 38.5 | 13.4 | 13.9 | 14.6 | 15.7 | 57.6 | 18.5 | 18.8 | 18.6 | 18.8 | 74.7 | 75.4 |
| SG&A | 5.0 | 7.5 | 3.0 | 3.1 | 3.6 | 4.4 | 14.0 | 4.8 | 4.9 | 5.0 | 5.2 | 19.9 | 20.6 |
| Total Operating expenses | 27.9 | 46.0 | 16.4 | 17.0 | 18.2 | 20.1 | 71.6 | 23.3 | 23.7 | 23.6 | 24.0 | 94.6 | 96.0 |
| Operating Income/Loss | (21.0) | (0.8) | (7.5) | (2.2) | (9.7) | 16.3 | (3.1) | (14.9) | (17.3) | (17.2) | (7.6) | (56.8) | (69.9) |
| Interest income | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest expense | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other income (expense) | (0.0) | (0.1) | (0.0) | (0.1) | 0.0 | 0.0 | (0.1) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Pretax income | (21.0) | (0.7) | (7.5) | (2.3) | (9.7) | 16.3 | (3.2) | (14.9) | (17.3) | (17.2) | (7.6) | (56.8) | (69.9) |
| Income tax expense | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Tax rate | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Net loss attributable to common stock | (21.0) | (1.2) | (7.7) | (2.3) | (9.7) | 15.9 | (3.8) | (14.9) | (17.3) | (17.2) | (7.6) | (56.8) | (69.9) |
| EPS (basic) | (\$14.65) | (\$0.72) | (\$4.27) | (\$0.25) | (\$0.34) | \$0.56 | (\$0.22) | (\$0.45) | (\$0.52) | (\$0.51) | (\$0.22) | (\$1.71) | (\$1.99) |
| EPS (diluted) | (\$14.65) | (\$0.72) | (\$4.27) | (\$0.25) | (\$0.34) | \$0.52 | (\$0.22) | (\$0.45) | (\$0.52) | (\$0.51) | (\$0.22) | (\$1.71) | (\$1.99) |
| Basic shares | 1.4 | 1.6 | 1.8 | 9.1 | 28.4 | 28.4 | 16.9 | 32.8 | 33.1 | 33.5 | 33.8 | 33.3 | 35.1 |
| Diluted shares | 1.4 | 1.6 | 1.8 | 9.1 | 33.0 | 30.9 | 18.7 | 37.4 | 37.8 | 38.2 | 38.5 | 38.0 | 40.1 |

Source: Cowen and Company

EPZM: Annual P&L (\$MM)

| (\$MM) | 2011A | 2012A | 2013A | 2014E | 2015E | 2016E | 2017E | 2018E | 2019E | 2020E | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E | 2032E |
|--|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Revenues to EPZM | | | | | | | | | | | | | | | | | | | | | | |
| EPZ-5676 US sales | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 30.0 | 92.6 | 137.6 | 163.4 | 168.2 | 173.1 | 178.1 | 183.3 | 188.7 | 194.2 | 199.8 | 205.7 | 211.7 | 217.8 | 224.2 | 230.7 |
| EPZ-5676 EU royalties | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.4 | 6.1 | 11.6 | 16.7 | 20.1 | 23.7 | 24.2 | 24.7 | 25.2 | 25.8 | 26.3 | 26.9 | 27.4 | 28.0 | 28.6 |
| EPZ-6438 US sales (50% of total) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 38.0 | 120.5 | 179.1 | 198.6 | 204.3 | 210.3 | 216.4 | 222.8 | 229.3 | 236.0 | 242.9 | 249.9 | 257.2 | 264.7 | 272.4 |
| EPZ-6438 EU royalties | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 3.2 | 9.9 | 14.7 | 16.1 | 16.5 | 16.8 | 17.2 | 17.5 | 17.8 | 18.3 | 18.7 | 19.1 | 19.5 | 19.9 | 20.3 |
| Collaboration revenue | 6.9 | 45.2 | 68.5 | 37.8 | 26.1 | 35.0 | 70.0 | 25.0 | 25.0 | 0.0 | 25.0 | 0.0 | 25.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total revenue | 6.9 | 45.2 | 68.5 | 37.8 | 26.1 | 35.0 | 100.0 | 156.0 | 292.4 | 364.1 | 423.1 | 413.7 | 453.6 | 440.8 | 453.3 | 466.2 | 478.4 | 483.1 | 507.1 | 521.5 | 536.4 | 551.5 |
| COGS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 3.0 | 13.2 | 23.2 | 27.4 | 28.3 | 30.2 | 31.1 | 32.0 | 32.9 | 33.9 | 34.9 | 35.9 | 36.9 | 38.0 | 39.1 | 40.3 |
| R&D | 22.9 | 38.5 | 57.8 | 74.7 | 76.4 | 76.5 | 77.5 | 78.5 | 82.4 | 86.5 | 90.9 | 95.4 | 100.2 | 105.2 | 110.5 | 116.0 | 121.8 | 127.9 | 134.3 | 141.0 | 148.0 | 155.4 |
| SG&A | 5.0 | 7.5 | 14.0 | 19.9 | 20.8 | 20.8 | 38.1 | 48.2 | 47.0 | 47.8 | 48.6 | 49.5 | 50.9 | 52.4 | 53.3 | 54.3 | 55.3 | 56.3 | 57.3 | 58.3 | 59.4 | 60.5 |
| Total Operating expenses | 27.9 | 46.0 | 71.8 | 94.6 | 96.0 | 97.3 | 118.6 | 137.9 | 132.6 | 161.7 | 169.9 | 175.1 | 182.2 | 188.5 | 196.7 | 204.1 | 211.9 | 220.0 | 228.5 | 237.3 | 246.5 | 256.2 |
| Operating Income/Loss | (21.0) | (0.8) | (3.1) | (56.8) | (69.9) | (62.3) | (18.7) | 20.1 | 139.8 | 202.3 | 254.2 | 238.5 | 271.4 | 251.2 | 256.6 | 262.1 | 267.5 | 273.1 | 278.6 | 284.2 | 289.8 | 295.5 |
| Interest income | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 | 2.0 | 3.0 | 4.0 | 5.0 |
| Interest expense | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 | 2.0 | 3.0 | 4.0 | 5.0 |
| Other income (expense) | (0.0) | (0.1) | (0.1) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 | 2.0 | 3.0 | 4.0 | 5.0 |
| Pretax income | (21.0) | (0.7) | (3.2) | (56.8) | (69.9) | (62.3) | (18.7) | 20.1 | 139.8 | 202.3 | 254.2 | 238.5 | 271.4 | 251.2 | 256.6 | 262.1 | 267.5 | 273.1 | 278.6 | 284.2 | 289.8 | 295.5 |
| Income tax expense | 0.0 | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 | 1.0 | 14.0 | 40.5 | 76.3 | 83.5 | 95.0 | 87.9 | 89.8 | 91.7 | 93.6 | 96.3 | 98.9 | 101.6 | 104.2 | 106.9 | 109.6 |
| Tax rate | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 5% | 10% | 20% | 30% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% |
| Net loss attributable to common stock | (21.0) | (1.2) | (3.0) | (56.8) | (69.9) | (62.3) | (18.7) | 19.1 | 128.9 | 161.9 | 177.9 | 155.0 | 176.4 | 163.3 | 166.8 | 170.3 | 173.9 | 178.8 | 183.7 | 188.6 | 193.6 | 198.5 |
| EPS (basic) | (\$14.65) | (\$0.72) | (\$0.22) | (\$1.71) | (\$1.99) | (\$1.70) | (\$0.40) | \$0.48 | \$3.06 | \$3.70 | \$4.00 | \$3.36 | \$3.67 | \$3.26 | \$3.21 | \$3.16 | \$3.00 | \$3.06 | \$3.02 | \$2.98 | \$2.94 | \$2.90 |
| EPS (diluted) | (\$14.65) | (\$0.72) | (\$0.22) | (\$1.71) | (\$1.99) | (\$1.70) | (\$0.40) | \$0.42 | \$2.88 | \$3.32 | \$3.51 | \$2.94 | \$3.22 | \$2.86 | \$2.81 | \$2.78 | \$2.71 | \$2.68 | \$2.65 | \$2.61 | \$2.58 | \$2.54 |
| Basic shares | 1.4 | 1.6 | 16.9 | 33.3 | 35.1 | 36.6 | 38.0 | 39.5 | 41.1 | 42.8 | 44.5 | 46.2 | 48.1 | 50.0 | 52.0 | 54.1 | 56.3 | 58.5 | 60.9 | 63.3 | 65.8 | 68.5 |
| Diluted shares | 1.4 | 1.6 | 18.7 | 38.0 | 40.1 | 41.7 | 43.4 | 45.1 | 46.9 | 48.8 | 50.7 | 52.7 | 54.0 | 57.1 | 59.3 | 61.7 | 64.2 | 66.7 | 69.4 | 72.2 | 75.1 | 78.1 |

Source: Cowen and Company

Valuation Methodology And Risks

Valuation Methodology

Biotechnology:

In calculating our 12-month target price, we employ one or more valuation methodologies, which include a discounted earnings analysis, discounted cash flow analysis, net present value analysis and/or a comparable company analysis. These analyses may or may not require the use of objective measures such as price-to-earnings or price-to-sales multiples as well as subjective measures such as discount rates.

We make investment recommendations on early stage (pre-commercial) biotechnology companies based upon an assessment of their technology, the probability of pipeline success, and the potential market opportunity in the event of success. However, because these companies lack traditional financial metrics, we do not believe there are any good methodologies for assigning a specific target price to such stocks.

Investment Risks

Biotechnology:

There are multiple risks that are inherent with an investment in the biotechnology sector. Beyond systemic risk, there is also clinical, regulatory, and commercial risk. Additionally, biotechnology companies require significant amounts of capital in order to develop their clinical programs. The capital-raising environment is always changing and there is risk that necessary capital to complete development may not be readily available.

Risks To The Price Target

Risks to our Outperform rating on EPZM shares include: 1) clinical setbacks in the ongoing trials of EPZ-5676 and EPZ-6438, 2) the possibility of additional financings, and 3) a change in appetite for early-company risk among biotech investors.

Addendum

Stocks Mentioned in Important Disclosures

| Ticker | Company Name |
|--------|-----------------------|
| ECYT | Endocyte |
| EPZM | Epizyme Inc |
| NKTR | Nektar |
| OREX | Orexigen Therapeutics |

Analyst Certification

Each author of this research report hereby certifies that (i) the views expressed in the research report accurately reflect his or her personal views about any and all of the subject securities or issuers, and (ii) no part of his or her compensation was, is, or will be related, directly or indirectly, to the specific recommendations or views expressed in this report.

Important Disclosures

Cowen and Company, LLC and/or its affiliates make a market in the stock of Epizyme Inc, Endocyte, Nektar and Orexigen Therapeutics securities.

Epizyme Inc, Endocyte and Nektar have been client(s) of Cowen and Company, LLC in the past 12 months.

Cowen and Company, LLC and/or its affiliates expect to receive, or intend to seek, compensation for investment banking services in the next 3 months from Epizyme Inc, Endocyte and Nektar.

Epizyme Inc, Endocyte and Nektar is or was in the past 12 months a client of Cowen and Company, LLC; during the past 12 months, Cowen and Company, LLC provided IB services.

Cowen and Company, LLC and/or its affiliates received in the past 12 months compensation for investment banking services from Epizyme Inc, Endocyte and Nektar.

Cowen and Company, LLC and/or its affiliates managed or co-managed a public offering of Epizyme Inc, Endocyte and Nektar within the past twelve months.

Cowen and Company, LLC compensates research analysts for activities and services intended to benefit the firm's investor clients. Individual compensation determinations for research analysts, including the author(s) of this report, are based on a variety of factors, including the overall profitability of the firm and the total revenue derived from all sources, including revenues from investment banking. Cowen and Company, LLC does not compensate research analysts based on specific investment banking transactions.

Disclaimer

This research is for our clients only. Our research is disseminated primarily electronically and, in some cases, in printed form. Research distributed electronically is available simultaneously to all Cowen and Company, LLC clients. All published research can be obtained on the Firm's client website, <https://cowenlibrary.bluematrix.com/client/library.jsp>.

Further information on any of the above securities may be obtained from our offices. This report is published solely for information purposes, and is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Other than disclosures relating to Cowen and Company, LLC, the information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete statement or summary of the available data. Any opinions expressed herein are statements of our judgment on this date and are subject to change without notice.

For important disclosures regarding the companies that are the subject of this research report, please contact Compliance Department, Cowen and Company, LLC, 599 Lexington Avenue, 20th Floor, New York, NY 10022. In addition, the same important disclosures, with the exception of the valuation methods and risks, are available on the Firm's disclosure website at <https://cowen.bluematrix.com/sellside/Disclosures.action>.

Price Targets: Cowen and Company, LLC assigns price targets on all covered companies unless noted otherwise. The price target for an issuer's stock represents the value that the analyst reasonably expects the stock to reach over a performance period of twelve months. The price targets in this report should be considered in the context of all prior published Cowen and Company, LLC research reports (including the disclosures in any such report or on the Firm's disclosure website), which may or may not include price targets, as well as developments relating to the issuer, its industry and the financial markets. For price target valuation methodology and risks associated with the achievement of any given price target, please see the analyst's research report publishing such targets.

Notice to UK Investors: This publication is produced by Cowen and Company, LLC which is regulated in the United States by FINRA. It is to be communicated only to persons of a kind described in Articles 19 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. It must not be further transmitted to any other person without our consent.

Copyright, User Agreement and other general information related to this report

© 2014 Cowen and Company, LLC. Member NYSE, FINRA and SIPC. All rights reserved. This research report is prepared for the exclusive use of Cowen clients and may not be reproduced, displayed, modified, distributed, transmitted or disclosed, in whole or in part, or in any form or manner, to others outside your organization without the express prior written consent of Cowen. Cowen research reports are distributed simultaneously to all clients eligible to receive such research reports. Any unauthorized use or disclosure is prohibited. Receipt and/or review of this research constitutes your agreement not to reproduce, display, modify, distribute, transmit, or disclose to others outside your organization the contents, opinions, conclusion, or information contained in this report (including any investment recommendations, estimates or price targets). All Cowen trademarks displayed in this report are owned by Cowen and may not be used without its prior written consent.

Cowen and Company, LLC. New York (646) 562-1000 **Boston** (617) 946-3700 **San Francisco** (415) 646-7200 **Chicago** (312) 577-2240 **Cleveland** (440) 331-3531 **Atlanta** (866) 544-7009 **London** (affiliate) 44-207-071-7500

COWEN AND COMPANY RATING DEFINITIONS

Cowen and Company Rating System effective May 25, 2013

Outperform (1): The stock is expected to achieve a total positive return of at least 15% over the next 12 months

Market Perform (2): The stock is expected to have a total return that falls between the parameters of an Outperform and Underperform over the next 12 months

Underperform (3): Stock is expected to achieve a total negative return of at least 10% over the next 12 months

Assumption: The expected total return calculation includes anticipated dividend yield

Cowen and Company Rating System until May 25, 2013

Outperform (1): Stock expected to outperform the S&P 500

Neutral (2): Stock expected to perform in line with the S&P 500

Underperform (3): Stock expected to underperform the S&P 500

Assumptions: Time horizon is 12 months; S&P 500 is flat over forecast period

Cowen Securities, formerly known as Dahlman Rose & Company, Rating System until May 25, 2013

Buy – The fundamentals/valuations of the subject company are improving and the investment return is expected to be 5 to 15 percentage points higher than the general market return

Sell – The fundamentals/valuations of the subject company are deteriorating and the investment return is expected to be 5 to 15 percentage points lower than the general market return

Hold – The fundamentals/valuations of the subject company are neither improving nor deteriorating and the investment return is expected to be in line with the general market return

Cowen And Company Rating Definitions

Distribution of Ratings/Investment Banking Services (IB) as of 12/31/13

| Rating | Count | Ratings Distribution | Count | IB Services/Past 12 Months |
|----------|-------|----------------------|-------|----------------------------|
| Buy (a) | 415 | 59.20% | 68 | 16.39% |
| Hold (b) | 270 | 38.52% | 4 | 1.48% |
| Sell (c) | 16 | 2.28% | 1 | 6.25% |

(a) Corresponds to "Outperform" rated stocks as defined in Cowen and Company, LLC's rating definitions. (b) Corresponds to "Market Perform" as defined in Cowen and Company, LLC's ratings definitions. (c) Corresponds to "Underperform" as defined in Cowen and Company, LLC's ratings definitions.

Note: "Buy", "Hold" and "Sell" are not terms that Cowen and Company, LLC uses in its ratings system and should not be construed as investment options. Rather, these ratings terms are used illustratively to comply with FINRA and NYSE regulations.

Epizyme Inc Rating History as of 02/27/2014

powered by: BlueMatrix



Endocyte Rating History as of 02/27/2014

powered by: BlueMatrix



Initiated Coverage - 8/16/2011 - Rating Outperform

Nektar Rating History as of 02/27/2014

powered by: BlueMatrix



Orexigen Therapeutics Rating History as of 02/27/2014

powered by: BlueMatrix



Legend for Price Chart:

I = Initiation | 1 = Outperform | 2 = Market Perform | 3 = Underperform | UR = Price Target Under Review | T = Terminated Coverage | \$xx = Price Target | NA = Not Available

Points Of Contact

Analyst Profiles



Simos Simeonidis, Ph.D.

New York

646.562.1386

simos.simeonidis@cowen.com

Simos Simeonidis is a senior analyst covering biotech. Prior experience: faculty at Harvard Medical School, Business Development, Novartis.



Yatin Suneja

New York

646.562.1388

yatin.suneja@cowen.com

Yatin Suneja is an associate analyst covering the biotech sector. Prior to joining Cowen, he held a similar position at Rodman & Renshaw.

Reaching Cowen

Main U.S. Locations

New York

599 Lexington Avenue
New York, NY 10022
646.562.1000
800.221.5616

Atlanta

3399 Peachtree Road NE
Suite 417
Atlanta, GA 30326
866.544.7009

Boston

Two International Place
Boston, MA 02110
617.946.3700
800.343.7068

Cleveland

20006 Detroit Road
Suite 100
Rocky River, OH 44116
440.331.3531

San Francisco

555 California Street, 5th Floor
San Francisco, CA 94104
415.646.7200
800.858.9316

Chicago

181 West Madison Street
Suite 1925
Chicago, IL 60602
312.577.2240

International Locations

Cowen International Limited

London

1 Snowden Street - 11th Floor
London EC2A 2DQ
United Kingdom
44.20.7071.7500

Cowen and Company (Asia) Limited

Hong Kong

Suite 1401 Henley Building
No. 5 Queens Road Central
Central, Hong Kong
852 3752 2333

