

# Epizyme, Inc. (EPZM)

EPZM Reports 3Q13 Financial Results

## MARKET DATA

|  |                   |
|--|-------------------|
| Price  | \$39.62           |
| 52-Week Range:   | \$18.60 - \$45.72 |
| Shares Out. (M):   | 28.4              |
| Market Cap (\$M):  | \$1,125.2         |
| Average Daily Vol. (000):  | 152.0             |
| Cash (M):  | \$149             |
| Cash/Share:  | \$8.04            |
| Enterprise Value (M):  | \$909             |
| Float (M):   | 28.0              |
| LT Debt (M):   | \$0               |
| Cash (M): Reflects cash, equivalents, and short-term investments |                   |
| Source: Thomson Reuters and JMP Securities LLC                   |                   |

| FY DEC   |           | 2012A           | 2013E           | 2014E         |
|--|-----------|-----------------|-----------------|---------------|
| Revenue (\$M)                                  | 1Q        | \$5.7           | \$8.9A          | \$29.9        |
|  | 2Q        | --              | \$14.8A         | \$4.9         |
|  | 3Q        | --              | \$8.4A          | \$24.9        |
|  | 4Q        | --              | \$7.5           | \$38.7        |
|  | <b>FY</b> | <b>\$45.2</b>   | <b>\$39.7</b>   | <b>\$98.5</b> |
| EPS  | 1Q        | (\$3.38)        | (\$4.24)A       | \$0.30        |
|  | 2Q        | --              | (\$0.25)A       | (\$0.41)      |
|  | 3Q        | --              | (\$0.34)A       | \$0.26        |
|  | 4Q        | --              | (\$0.50)        | \$0.58        |
|  | <b>FY</b> | <b>(\$0.72)</b> | <b>(\$1.99)</b> | <b>\$0.94</b> |
| Previous FY                                    |           | NC              | (\$1.45)        | NC            |
| Source: Company reports and JMP Securities LLC |           |                 |                 |               |

## STOCK PRICE PERFORMANCE



**MARKET OUTPERFORM** | Price: \$39.62 | Target Price: \$40.00

## INVESTMENT HIGHLIGHTS

**A recap of Phase I progress and incremental update to Phase II expansion plans were provided as Epizyme reported 3Q13 earnings; reiterate Market Outperform and 12-month \$40 price target based on our NPV, sum-of-the parts, and standardized CAGR methodologies.** We remind investors that EPZM is driven less by earnings than by the company's execution against clinical development milestones with its targeted epigenetic therapy candidates EPZ-5676 and EPZ-6438. Epizyme reported a net loss of \$9.7MM, or (\$0.34) per share, for the quarter, modestly better than our estimate of (\$0.44) EPS and consensus of (\$0.30). Collaboration revenues for the quarter were \$8.4MM, slightly above our estimate of \$7.8MM, but below consensus of \$11.0MM. Operating expenses for the quarter were \$18.2MM, comprised of \$14.6MM in R&D expense (below our \$17MM estimate), and \$3.6MM in SG&A (slightly above our \$3.4MM estimate). The company reported \$139.6MM in cash, cash equivalents, and marketable securities as of Sept 30, 2013. A summary of today's results versus our and consensus estimates is detailed in Figure 2. Highlights from the conference call with management included a recap of Phase I clinical developments with EPZ-5676, targeting DOT1L for mixed lineage leukemia (MLL), and EPZ-6438, targeting EZH2 for non-Hodgkin's lymphoma, and forward-looking plans to enroll Phase II expansion cohorts beginning in late 2013 and early 2014, respectively. Changes to our model, detailed in Figure 3, primarily reflect the impact of reported Q3 financials on FY 2013 estimates.

**Dosing data for EPZ-5676 will be presented in 4Q13 (likely at ASH) prior to the start of the MLL-r cohort.** Dose escalation continues in the Phase I trial of EPZ-5676, now comprising six sites in the U.S. The company had previously reported on the first four patients enrolled onto study, including one patient with MLL rearranged (MLL-r) ALL who exhibited 90% reduction in leukemic blast count at day five on therapy. We expect EPZM to provide top-line dose escalation data with '5676 prior to initiating the Phase II cohort limited to patients with the MLL rearrangement mutation. The expansion cohort should provide an initial assessment of therapeutic effect in MLL-r patients by the end of 2014 and encompass up to 12 sites in the U.S. and Europe. Dosing information from the Phase I trial will be presented as soon as the study is complete; the company stating possibly before any abstracts are presented at ASH in December. During 2014 the company plans to pursue clinical trials with '5676 in the 5-7% of AML patients with MLL-PTD (partial tandem duplication) mutations.

**Dose escalation of EPZ-6438 initiated with Phase II to start in 2014.** Regarding the EZH2 program, dose escalation in the Phase I trial of EPZ-6438 was initiated by partner Eisai in June in patients with B-cell lymphoma. No dose-limiting toxicities have been observed to date. The company anticipates completion of the Phase I trial and the initiation of a Phase II expansion cohort, limited to NHL patients with confirmed EZH2 point mutation, during 1H14. Around that time, we anticipate EPZ-6438 development will broaden to include solid tumor indications (specifically tumors deficient for the transcription factor INI-1 (SNF-5), such as synovial sarcomas and childhood malignant rhabdoid tumors), based on the current supportive preclinical evidence and in full view of the dose and safety data established in the current Phase I.

**Epizyme represents the rare opportunity to invest in a best-of-breed, pure-play, epigenetics-focused biotech company with clinical-stage assets and a robust drug discovery platform.**

We believe the company's clinical assets, EPZ-5676 and EPZ-6438, represent particularly compelling biology given that they are directed against clonally initiating mutations. This biologic focus, in combination with the selection of a genetically defined patient population, as providing capability for each asset to rapidly accelerate through the clinic and into registration-directed trials within 18 months. Combining these assets with a robust drug discovery product platform capable of consistently delivering multiple new therapeutic candidates targeting HMTs, and partnerships with GSK (Not Covered), Eisai, and Celgene (CELG, MO, \$160 PT), we believe shares of EPZM will accrete significant additional value over the next six to twelve months as the potential for the company's pipeline comes into greater focus.

**FIGURE 1. Upcoming Milestones**

| Timing | Drug     | Milestones   |
|--------|----------|--|
| 4Q13   | EPZ-5676 | MLL-r Phase 1 dose escalation data disclosed                   |
| 4Q13   | EPZ-5676 | MLL-r Phase 1 expansion cohort initiation, data in 2014        |
| 1H14   | EPZ-6438 | Initiation of Phase 2 expansion cohort enrollment in EZH2+ NHL |
| 2014   | EPZ-5676 | MLL-r pediatric Phase 1 expected in 2014                       |
| 2014   | EPZ-5676 | MLL-PTD Phase 2 expansion cohort expected                      |
| 2014   | EPZ-6438 | NHL Phase 1 dose escalation data                               |
| 2014   | EPZ-6438 | NHL Phase 2 expansion cohort expected initiation               |
| 2014   | EPZ-6438 | Synovial sarcoma Phase 2 expected initiation                   |

*Source: Epizyme press releases, presentations, and SEC filings*

FIGURE 2. EPZM 2Q13 Results vs. JMP and Consensus Estimates

| 2Q13 JMP Estimates vs. Consensus<br>(\$MM, except where noted) | 3Q13A     | 3Q13 JMP<br>Estimates | 2Q13 Street<br>Consensus | Actual vs. JMP<br>Estimates |
|--|-----------|-----------------------|--------------------------|-----------------------------|
| <b>Total Collaboration Revenue</b>                             | 8.4       | 7.8                   | 11.0                     | 0.6                         |
| <b>Operating Expenses</b>                                      |           |                       |                          |                             |
| R&D  | 14.6      | 17.0                  |                          | (2.4)                       |
| SG&A   | 3.6       | 3.4                   |                          | 0.2                         |
| <b>Total Operating Expenses (R&amp;D, SG&amp;A)</b>            | 18.2      | 20.4                  |                          | (2.2)                       |
| <b>Operating Income (Loss)</b>                                 | (9.7)     | (12.6)                |                          | 2.8                         |
| Non-operating income (expense)                                 | 0.0       | 0.0                   |                          | 0.0                         |
| <b>Earnings before Taxes</b>                                   | (9.7)     | (12.6)                | (7.8)                    | 2.9                         |
| Provision for income taxes (benefit)                           | 0.0       | 0.0                   |                          |                             |
| <b>Net Income (Loss)</b>                                       | (9.7)     | (12.6)                | (7.8)                    | 2.9                         |
| <b>Basic shares outstanding</b>                                | 28.406    | 28.415                |                          | (0.0)                       |
| <b>Diluted shares</b>  | 28.406    | 28.415                |                          | (0.0)                       |
| <b>GAAP EPS Figures</b>  |           |                       |                          |                             |
| <b>Basic EPS</b>   | \$ (0.34) | \$ (0.44)             | \$ (0.36)                | 0.1                         |
| <b>Diluted EPS</b>   | \$ (0.34) | \$ (0.44)             | \$ (0.36)                | 0.1                         |
| <b>Non-GAAP EPS</b>  |           |                       |                          |                             |
| <b>Basic</b>   | \$ (0.33) | \$ (0.43)             |                          | 0.1                         |
| <b>Diluted</b>   | \$ (0.33) | \$ (0.43)             |                          | 0.1                         |

Source: JMP Securities LLC

FIGURE 3. Changes to Our Model

| Changes to Income Statement<br>(\$MM, except where noted) | 4Q13E     |           | 2013E     |           | 1Q14E   |         | 2Q14E     |           | 3Q14E   |         | 4Q14E   |         | 2014E   |         | 2015E     |           |
|---|-----------|-----------|-----------|-----------|---------|---------|-----------|-----------|---------|---------|---------|---------|---------|---------|-----------|-----------|
|   | OLD       | NEW       | OLD       | NEW       | OLD     | NEW     | OLD       | NEW       | OLD     | NEW     | OLD     | NEW     | OLD     | NEW     | OLD       | NEW       |
| <b>Total Collaboration Revenue</b>                        | 7.5       | 7.5       | 44.1      | 39.7      | 29.9    | 29.9    | 4.9       | 4.9       | 24.9    | 24.9    | 38.7    | 38.7    | 88.5    | 98.5    | 38.0      | 38.0      |
| <b>Operating Expenses</b>                                 |           |           |           |           |         |         |           |           |         |         |         |         |         |         |           |           |
| R&D   | 18.0      | 18.0      | 64.1      | 59.9      | 16.0    | 16.0    | 12.0      | 12.0      | 11.5    | 11.5    | 12.5    | 12.5    | 52.0    | 52.0    | 55.0      | 55.0      |
| SG&A  | 3.8       | 3.8       | 15.2      | 13.5      | 4.2     | 4.2     | 4.5       | 4.5       | 5.0     | 5.0     | 5.5     | 5.5     | 19.2    | 19.2    | 24.0      | 24.0      |
| <b>Total Operating Expenses (R&amp;D, SG&amp;A)</b>       | 21.8      | 21.8      | 79.3      | 73.3      | 20.2    | 20.2    | 16.5      | 16.5      | 16.5    | 16.5    | 18.0    | 18.0    | 71.2    | 71.2    |           |           |
| <b>Operating Income (Loss)</b>                            | (14.3)    | (14.3)    | (35.2)    | (33.6)    | 9.7     | 9.7     | (11.6)    | (11.6)    | 8.4     | 8.4     | 20.7    | 20.7    | 17.3    | 27.3    | (41.0)    | (41.0)    |
| Non-operating income (expense)                            |           |           |           |           |         |         |           |           |         |         |         |         |         |         |           |           |
| <b>Earnings before Taxes</b>                              | (14.3)    | (14.3)    | (35.2)    | (33.7)    | 9.7     | 9.7     | (11.6)    | (11.6)    | 8.4     | 8.4     | 20.7    | 20.7    | 17.3    | 27.3    | (41.0)    | (41.0)    |
| Provision for income taxes (benefit)                      | 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       |
| <b>Net Income (Loss)</b>                                  | (14.3)    | (14.3)    | (35.2)    | (33.7)    | 9.7     | 9.7     | (11.6)    | (11.6)    | 8.4     | 8.4     | 20.7    | 20.7    | 17.3    | 27.3    | (41.0)    | (41.0)    |
| <b>Basic shares outstanding</b>                           | 28.420    | 28.420    | 17.336    | 16.943    | 28.434  | 28.434  | 28.455    | 28.455    | 28.480  | 28.480  | 31.004  | 31.004  | 29.093  | 29.093  | 33.590    | 33.590    |
| <b>Diluted shares</b>                                     | 28.420    | 28.420    | 17.336    | 16.943    | 32.775  | 32.775  | 28.455    | 28.455    | 32.957  | 32.957  | 35.549  | 35.549  | 29.093  | 29.093  | 33.590    | 33.590    |
| <b>GAAP EPS Figures</b>                                   |           |           |           |           |         |         |           |           |         |         |         |         |         |         |           |           |
| <b>Basic EPS</b>  | \$ (0.50) | \$ (0.50) | \$ (2.03) | \$ (1.99) | \$ 0.34 | \$ 0.34 | \$ (0.41) | \$ (0.41) | \$ 0.30 | \$ 0.30 | \$ 0.67 | \$ 0.67 | \$ 0.59 | \$ 0.94 | \$ (1.22) | \$ (1.22) |
| <b>Diluted EPS</b>  | \$ (0.50) | \$ (0.50) | \$ (2.03) | \$ (1.99) | \$ 0.30 | \$ 0.30 | \$ (0.41) | \$ (0.41) | \$ 0.26 | \$ 0.26 | \$ 0.58 | \$ 0.58 | \$ 0.59 | \$ 0.94 | \$ (1.22) | \$ (1.22) |
| <b>Non-GAAP EPS</b>                                       |           |           |           |           |         |         |           |           |         |         |         |         |         |         |           |           |
| <b>Basic</b>  | \$ (0.49) | \$ (0.49) | \$ (1.94) | \$ (1.90) | \$ 0.36 | \$ 0.36 | \$ (0.39) | \$ (0.39) | \$ 0.32 | \$ 0.32 | \$ 0.69 | \$ 0.69 | \$ 0.67 | \$ 1.02 | \$ (1.10) | \$ (1.10) |
| <b>Diluted</b>  | \$ (0.49) | \$ (0.49) | \$ (1.94) | \$ (1.90) | \$ 0.31 | \$ 0.31 | \$ (0.39) | \$ (0.39) | \$ 0.27 | \$ 0.27 | \$ 0.60 | \$ 0.60 | \$ 0.67 | \$ 1.02 | \$ (1.10) | \$ (1.10) |

Source: JMP Securities LLC

FIGURE 4.Updated Income Statement

| Epizyme Income Statement (\$MM)                     | 2012A     | 1Q13A     | 2Q13A     | 3Q13A     | 4Q13E     | 2013E     | 1Q14E   | 2Q14E     | 3Q14E   | 4Q14E   | 2014E   | 2015E     | 2016E     | 2017E   | 2018E   | 2019E   | 2020E   |
|---|-----------|-----------|-----------|-----------|-----------|-----------|---------|-----------|---------|---------|---------|-----------|-----------|---------|---------|---------|---------|
| <b>REVENUES</b>                                     |           |           |           |           |           |           |         |           |         |         |         |           |           |         |         |         |         |
| Product Sales and Royalties                         |           |           |           |           |           |           |         |           |         |         |         |           |           |         |         |         |         |
| EPZ-5676 (DOT1L) US Sales                           |           |           |           |           |           |           |         |           |         |         |         | 0.0       | 0.0       | 15.9    | 87.8    | 180.8   | 266.3   |
| EPZ-6438 (EZH2) US Profit Share                     |           |           |           |           |           |           |         |           |         |         |         | 0.0       | 0.0       | 7.9     | 53.9    | 134.7   | 232.7   |
| EPZ-5676 (DOT1L) Ex-US Royalties                    |           |           |           |           |           |           |         |           |         |         |         | 0.0       | 0.0       | 0.2     | 3.1     | 8.8     | 15.4    |
| EPZ-6438 (EZH2) Ex-US Royalties                     |           |           |           |           |           |           |         |           |         |         |         | 0.0       | 0.0       | 2.3     | 11.4    | 25.0    | 37.5    |
| <b>Total Product Sales and Royalties</b>            |           |           |           |           |           |           |         |           |         |         |         | 0.0       | 0.0       | 26.3    | 156.1   | 349.2   | 552.0   |
| <b>Total Collaboration Revenue</b>                  | 45.2      | 8.9       | 14.8      | 8.4       | 7.5       | 39.7      | 29.9    | 4.9       | 24.9    | 38.7    | 98.5    | 38.0      | 45.8      | 102.5   | 40.0    | 42.5    | 15.0    |
| <b>TOTAL REVENUE</b>                                | 45.2      | 8.9       | 14.8      | 8.4       | 7.5       | 39.7      | 29.9    | 4.9       | 24.9    | 38.7    | 98.5    | 38.0      | 45.8      | 128.8   | 196.1   | 391.7   | 567.0   |
| <b>COGS</b>   |           |           |           |           |           | 0.0       |         |           |         |         | 0.0     | 0.0       | 0.0       | 1.4     | 13.8    | 29.2    | 44.9    |
| <b>Gross Profit</b>                                 | 45.2      | 8.9       | 14.8      | 8.4       | 7.5       | 39.7      | 29.9    | 4.9       | 24.9    | 38.7    | 98.5    | 38.0      | 45.8      | 127.4   | 182.3   | 362.5   | 522.1   |
| <b>Operating Expenses</b>                           |           |           |           |           |           |           |         |           |         |         |         |           |           |         |         |         |         |
| R&D   | 38.5      | 13.4      | 13.9      | 14.6      | 18.0      | 59.9      | 16.0    | 12.0      | 11.5    | 12.5    | 52.0    | 55.0      | 65.0      | 73.1    | 80.4    | 86.5    | 92.5    |
| SG&A  | 7.5       | 3.0       | 3.1       | 3.6       | 3.8       | 13.5      | 4.2     | 4.5       | 5.0     | 5.5     | 19.2    | 24.0      | 32.0      | 50.0    | 57.5    | 63.3    | 68.0    |
| <b>Total Operating Expenses (R&amp;D, SG&amp;A)</b> | 46.0      | 16.4      | 17.0      | 18.2      | 21.8      | 73.3      | 20.2    | 16.5      | 16.5    | 18.0    | 71.2    | 79.0      | 97.0      | 123.1   | 137.9   | 149.7   | 160.5   |
| <b>Operating Income (Loss)</b>                      | (0.8)     | (7.4)     | (2.2)     | (9.7)     | (14.3)    | (33.6)    | 9.7     | (11.6)    | 8.4     | 20.7    | 27.3    | (41.0)    | (51.2)    | 5.7     | 44.4    | 212.8   | 361.5   |
| Non-operating income (expense)                      | 0.1       | (0.0)     | (0.0)     | 0.0       |           |           |         |           |         |         |         |           | 0.7       | 0.6     | 0.6     | 0.8     | 1.3     |
| <b>Earnings before Taxes</b>                        | (0.7)     | (7.4)     | (2.2)     | (9.7)     | (14.3)    | (33.7)    | 9.7     | (11.6)    | 8.4     | 20.7    | 27.3    | (41.0)    | (50.5)    | 6.3     | 45.0    | 213.6   | 362.8   |
| Provision for income taxes (benefit)                | 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     | 21.4    | 72.6    |
| Tax Rate(%)   |           |           | 0%        | 0%        | 0%        | 0%        | 0%      | 0%        | 0%      | 0%      | 0%      | 0%        | 0%        | 0%      | 0%      | 10%     | 20%     |
| <b>Net Income (Loss)</b>                            | (0.7)     | (7.4)     | (2.2)     | (9.7)     | (14.3)    | (33.7)    | 9.7     | (11.6)    | 8.4     | 20.7    | 27.3    | (41.0)    | (50.5)    | 6.3     | 45.0    | 192.2   | 290.3   |
| <b>Basic shares outstanding</b>                     | 1.65      | 1.791     | 9.146     | 28.406    | 28.420    | 16.9      | 28.434  | 28.455    | 28.480  | 31.004  | 29.1    | 33.6      | 33.8      | 34.0    | 34.2    | 34.5    | 34.7    |
| <b>Diluted shares</b>                               | 1.65      | 1.791     | 9.146     | 28.406    | 28.420    | 16.9      | 32.775  | 28.455    | 32.957  | 35.549  | 29.1    | 33.6      | 33.8      | 37.3    | 37.6    | 37.9    | 38.1    |
| <b>GAAP EPS Figures</b>                             |           |           |           |           |           |           |         |           |         |         |         |           |           |         |         |         |         |
| Basic EPS   | \$ (0.72) | \$ (4.24) | \$ (0.25) | \$ (0.34) | \$ (0.50) | \$ (1.99) | \$ 0.34 | \$ (0.41) | \$ 0.30 | \$ 0.67 | \$ 0.94 | \$ (1.22) | \$ (1.50) | \$ 0.18 | \$ 1.31 | \$ 5.58 | \$ 8.36 |
| Diluted EPS   | \$ (0.72) | \$ (4.24) | \$ (0.25) | \$ (0.34) | \$ (0.50) | \$ (1.99) | \$ 0.30 | \$ (0.41) | \$ 0.26 | \$ 0.58 | \$ 0.94 | \$ (1.22) | \$ (1.50) | \$ 0.17 | \$ 1.20 | \$ 5.08 | \$ 7.61 |

Source: JMP Securities LLC, Company reports

## Company Description

Epizyme (EPZM) is a biopharmaceutical company, based in Cambridge, Massachusetts, focused on the discovery, development, and commercialization of personalized therapeutics for epigenetically-defined cancers. The company's technology is focused on the development of small molecule drugs specifically targeted against the individual members of the 96-member histone methyltransferase (HMT) class of enzymes. To date, the company has entered into strategic collaborations with Celgene, Eisai, and GSK regarding specific products, as well as the underlying technology platform.

## Investment Risks

**Clinical.** Drug development is an inherently risky business. As clinical trials always carry a risk of failure, Epizyme's assets (EPZ-5676, EPZ-6438, or future products), may fail to demonstrate clinically meaningful levels of efficacy in ongoing or future trials. Further, it is unclear whether resistance pathways may develop to the epigenetic mechanisms being targeted.

**Regulatory.** The ability of Epizyme or its partners to market its drugs is dependent upon those drugs obtaining approval from the U.S. FDA and foreign regulatory authorities. Failure to achieve approval or delays in the timeline to approval could lead to substantial decrease in the company's share price.

**Competitive.** Epigenetics is an increasingly competitive field and Epizyme will face competition both from companies focused in the space, as well as players targeting related mechanisms. As such, there is no assurance that Epizyme's product will be competitive or differentiated from other drugs.

**Commercialization.** Epizyme has stated its plans to retain U.S. commercial rights to its products and develop a commercial infrastructure to market those products. The company has limited commercial experience and infrastructure in place. As such, the company will face significant expenses developing or acquiring these resources.

**Reimbursement.** There is no guarantee that Epizyme, or its partners, will garner adequate reimbursement for its products. Failure to obtain adequate levels of reimbursement could negatively impact the company's share price.

**Partners.** Epizyme has formed development and commercial partnerships with Celgene, Eisai, and GSK. Epizyme is highly dependent upon these partnerships to provide non-dilutive sources of capital. Celgene and Eisai are critical to the development and commercialization of Epizyme's clinical stage assets. Changes to or terminations of these partnerships could affect Epizyme's shares negatively.

**Financial.** Post-IPO, we estimate that the company will end 2Q13 with approximately \$160MM in cash and cash equivalents. While the company has guided that even excluding any milestones payments from Celgene, Eisai, or GSK (which we expect) it has adequate resources to fund the company into 2015, we wholly expect the company to revisit the capital markets to further fund clinical development of its assets, develop a commercial infrastructure in the U.S., and to identify other assets using its platform technology and expertise. We currently forecast that the company will conduct secondary offerings in 2014 and 2015 before reaching profitability in 2017. While we view this as common for similar stage biotechnology companies, the risk of dilution may create an overhang at times.

## JMP FACTS AND DISCLOSURES

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The research analyst(s) who prepared this report does/do hereby certify that the views presented in this report are in accordance with my/our personal views on the securities and issuers discussed in this report. As mandated by SEC Regulation AC no part of my/our compensation was, is or will be directly or indirectly related to the specific views or recommendations expressed herein. This certification is made under the obligations set forth in SEC Regulation AC. Any other person or entity may not use it for any other purpose. This certification is made based on my/our analysis on the date of this report's publication. I/We assume no obligation to update this certification to reflect any facts, circumstances or events that may subsequently come to my/our attention. Signed Michael G. King

### JMP Securities Disclosures:

JMP Securities currently makes a market in the securities of Epizyme, Inc. and Celgene Corporation

JMP Securities was manager or co-manager of a public offering for Epizyme, Inc. in the past 12 months.

### JMP Securities Investment Opinion Definitions:

Market Outperform (MO): JMP Securities expects the stock price to outperform relevant market indices over the next 12 months.

Market Perform (MP): JMP Securities expects the stock price to perform in line with relevant market indices over the next 12 months.

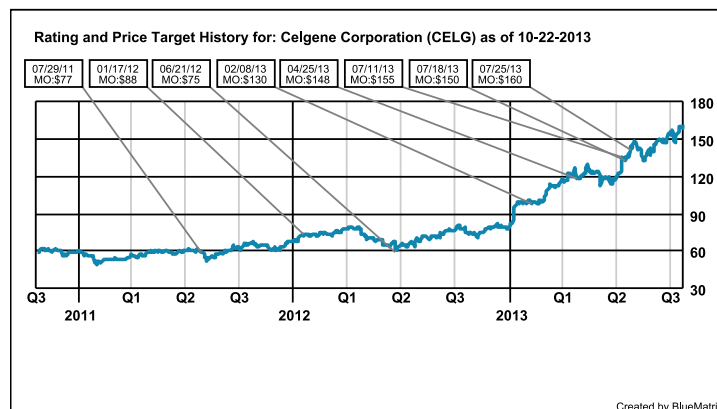
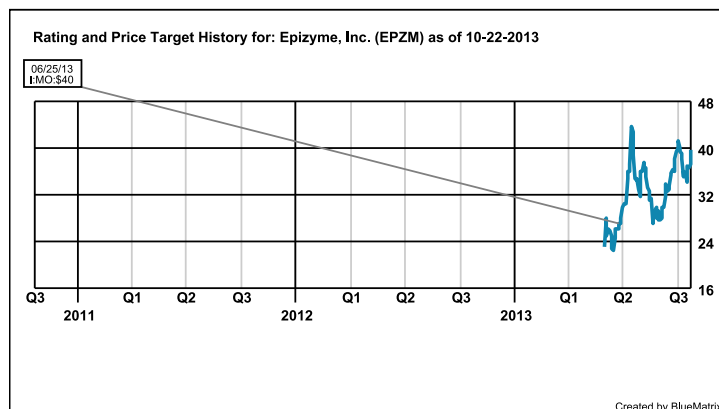
Market Underperform (MU): JMP Securities expects the stock price to underperform relevant market indices over the next 12 months.

### JMP Securities Research Ratings and Investment Banking Services: (as of October 22, 2013)

| JMP Rating          | Regulatory Equivalent | # Co's Under Coverage | % of Total | Regulatory Equivalent | # Co's Under Coverage | % of Total | # Co's Receiving IB Services in Past 12 Months | % of Co's With This Rating |
|---------------------|-----------------------|-----------------------|------------|-----------------------|-----------------------|------------|--|----------------------------|
| MARKET OUTPERFORM   | Buy                   | 249                   | 61.63%     | Buy                   | 249                   | 61.63%     | 77   | 30.92%                     |
| MARKET PERFORM      | Hold                  | 149                   | 36.88%     | Hold                  | 149                   | 36.88%     | 22   | 14.77%                     |
| MARKET UNDERPERFORM | Sell                  | 6                     | 1.49%      | Sell                  | 6                     | 1.49%      | 0  | 0%                         |
| TOTAL:              |                       | 404                   | 100%       |                       | 404                   | 100%       | 99   | 24.50%                     |

### Stock Price Chart of Rating and Target Price Changes:

Note: First annotation denotes initiation of coverage or 3 years, whichever is shorter. If no target price is listed, then the target price is N/A. In accordance with NASD Rule 2711, the chart(s) below reflect(s) price range and any changes to the rating or price target as of the end of the most recent calendar quarter. The action reflected in this note is not annotated in the stock price chart. Source: JMP Securities.



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