

November 9, 2014

HEALTHCARE/BIO TECHNOLOGY

Stock Rating:

OUTPERFORM

12-18 mo. Price Target \$53.00
KPTI - NASDAQ \$42.14

3-5 Yr. EPS Gr. Rate NM
52-Wk Range \$47.98-\$15.50
Shares Outstanding 29.8M
Float 8.4M
Market Capitalization \$1,376.7M
Avg. Daily Trading Volume 236,476
Dividend/Div Yield NA/NM
Book Value \$4.87
Fiscal Year Ends Dec
2014E ROE NM
LT Debt NA
Preferred NA
Common Equity \$144M
Convertible Available No

EPS Diluted	Q1	Q2	Q3	Q4	Year	Mult.
2013A	(2.52)	(2.97)	(3.66)	(2.00)	(5.59)	NM
2014E	(0.46)A	(0.55)A	(0.52)	(0.57)	(2.11)	NM
2015E	--	--	--	--	(2.52)	NM

Reflects 1:3.3 reverse stock split effective October 2013.

Revenue (\$/mil)	Q1	Q2	Q3	Q4	Year	Mult.
2013A	0.2	0.1	0.0	0.0	0.4	NM
2014E	0.2A	0.0A	0.2	0.2	0.6	NM
2015E	--	--	--	--	2.0	NM

Karyopharm Therapeutics

Upgrading to Outperform On ASH Abstract Data

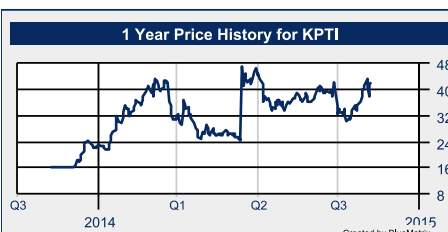
SUMMARY

Two key data cards now overturned in the ASH abstracts argue for upside to our peak Selinexor share in 1) R/R myeloma (currently ~6%) and 2) R/R DLBCL (currently ~5%). In myeloma, a 60% ORR (at 45 mg/m² + dex) compares favorably to important comps (Kyprolis, Revlimid). Bears will argue we still need to see more myeloma data, but we see the results as reflecting an emerging directional trend that strengthens the evidence set for Selinexor/dex synergy. Additional increasingly positive data in the ASH abstracts for R/R DLBCL (see below) also merit upward revisions to our share estimates. Our model changes drive a DCF valuation (and our new price target) of \$53/shr, and we are upgrading KPTI to Outperform.

KEY POINTS

- In myeloma, 2/2 new PRs (at 45mg/m²+dex) brings the ORR to 60% (5/10 PR, 1/10 CR) from 50% (4/8). In DLBCL, 3/5 new PRs at ≥ 60 mg/m² doubles the ORR to 40% (4/10) from 20% (1/5). Three CRs in 5 new patients at 20-50mg/m² triples the CR rate to 19% (4/21) vs. 6% (1/16).**
- Single-agent efficacy comps suggest Selinexor tracking well. 1) R/R myeloma, Kyprolis: ~23% ORR (0.4% CR, ~5% VGPR, ~18% PR, n=266). Revlimid: 26% ORR (5 CR, 53 PR, n=222). 2) R/R DLBCL, Revlimid: 28% ORR (11% CR, 17% PR, n=47); Imbruvica: 41% ORR (17% CR, 24% PR, n=29).**
- Myeloma dose response?** The abstract contained a plot on responses by Selinexor vs. dex dose. While tough to draw firm conclusions, we note that: **1)** with dex (Ex. 1, green box), increasing Selinexor appears to improve responses, **2)** without dex (Ex. 1, red box), increasing Selinexor does not improve responses, suggesting Selinexor/dex synergy matters.
- Revised revenue ests.** Increasing peak myeloma share to 8% (from ~6%) yields peak myeloma revenues of \$630M (\$360M/\$270M US/EU) or \$115M above prior estimates (Ex. 3). For DLBCL, we now assume \$290M peak (\$140M/\$150M US/EU), or ~\$50M above prior estimates (Ex. 4). These changes drive incremental FCF/year of ~\$90M upon est. profitability (2018+).
- What to look for at ASH. 1)** Myeloma duration. Duration was 11-25 weeks in the abstract (August 5 cutoff), and we understand that 3 patients from EHA and possibly the 2 new PRs remain on. **2)** Selinexor + Kyprolis. Dr. Andrzej Jakubowiak (U. Chicago) may present early clinical data (Abstract 3443).

Stock Price Performance



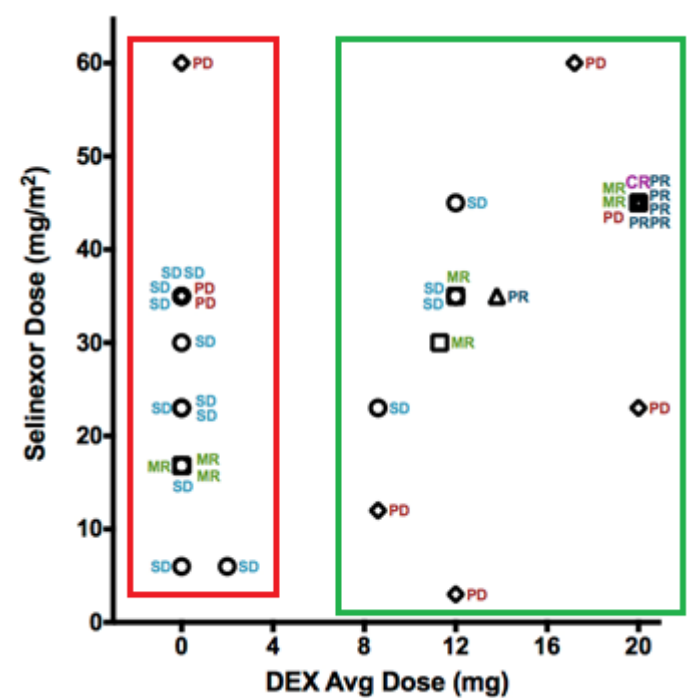
Company Description

Karyopharm Therapeutics is a clinical-stage biotechnology company focused on discovery and development of novel first-in-class drugs directed against nuclear transport targets for the treatment of blood cancers and solid tumors.

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Exhibit 1

Selinexor Dose Response Appears to Require Dexamethasone



Source: Karyopharm Presentations, Oppenheimer Research (colored boxes).

Exhibit 2

Selinexor NHL Data Evolution (ASH Abstracts vs. ASCO/EHA)

Cancer Type	Selinexor Dose	ASH		EHA/ASCO		ASH		EHA/ASCO		ASH		EHA/ASCO		ASH		EHA/ASCO		ASH		EHA/ASCO	
		N	N	ORR	ORR	CR	CR	PR	PR	SD	SD	PD	PD	WC/NE	WC/NE	PD	PD	WC/NE	WC/NE	PD	PD
Aggressive B-NHL (DLBCL, FLgrd3B, Transformed)	≤20	4	3	1 (25%)	1 (33%)			1 (25%)	1 (33%)	1 (25%)	1 (33%)	2 (50%)	1 (33%)	3 (14%)	1 (6.25%)						
	20-50	21	16	7 (33%)	4 (25%)	4 (19%)	1 (6.25%)	3 (14%)	3 (18.75%)	5 (24%)	7 (43.75%)	6 (29%)	4 (25%)	3 (14%)	1 (6.25%)						
	≥60*	10	5	4 (40%)	1 (20%)			4 (40%)	1 (20%)	4 (40%)	4 (80%)			2 (20%)							
Follicular and Other Indolent NHL	≤30	4	7							4 (100%)	5 (71%)			1 (25%)	1 (14%)						
	≥35	4	7	2 (50%)	1 (14%)			2 (50%)	1 (14%)	1 (25%)	5 (71%)			1 (25%)	1 (14%)						
Mantle Cell Lymphoma	≤30	2		1 (50%)				1 (50%)		1 (50%)	1 (33%)	1 (50%)		1 (50%)	1 (33%)						
	≥35	2	3		1 (33%)				1 (33%)	1 (50%)	1 (33%)			1 (50%)	1 (33%)						
T-Cell Lymphoma	≤30	4				1 (100%)	1 (25%)			2 (50%)	2 (50%)			2 (50%)	1 (25%)						
	≥35	1	4		1 (25%)																
Richter's Transformation	≤30	3		1 (33%)				1 (33%)		2 (67%)	3 (60%)										
	≥35	3	5	1 (33%)	2 (40%)			1 (33%)	2 (40%)	3 (60%)	3 (60%)			2 (67%)	2 (67%)						
Total		58	43	18 (31%)	11 (25.5%)	5 (9%)	1 (4.7%)	13 (22%)	9 (21%)	20 (34%)	12 (53.5%)	9 (16%)	5 (21%)	11 (19%)	4 (9.3%)						

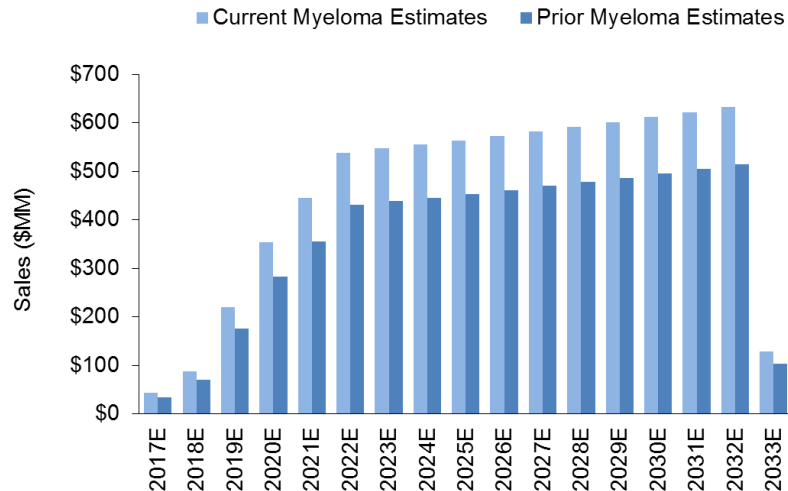
Source: Karyopharm Presentations.

Exhibit 3

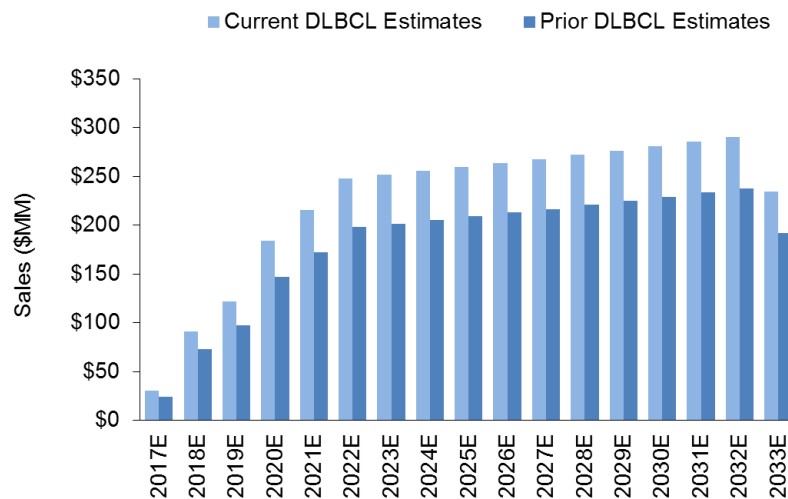
Value per Share Sensitivity Analysis on Share and Duration (Base Case in Boxes)

						Peak Share							
Treatment Duration (28-day Cycles)	DLBCL					4%	4%	5%	6%	6%	7%	7%	
	Myeloma					6%	6%	7%	8%	9%	10%	10%	
	AML					14%	16%	18%	21%	23%	25%	27%	
	Sarcoma					21%	24%	27%	30%	33%	36%	39%	
	All					11%	13%	14%	16%	18%	19%	21%	
	2.1	5.4	2.5	3.0	3.2	\$27	\$29	\$31	\$33	\$34	\$36	\$38	
	2.4	6.2	2.9	3.4	3.7	\$33	\$35	\$37	\$39	\$41	\$43	\$45	
	2.7	6.9	3.2	3.8	4.2	\$39	\$42	\$44	\$46	\$48	\$51	\$53	
	3.0	7.7	3.6	4.2	4.6	\$45	\$48	\$50	\$53	\$55	\$58	\$60	
	3.3	8.5	4.0	4.6	5.1	\$51	\$54	\$57	\$60	\$62	\$65	\$68	
	3.6	9.2	4.3	5.1	5.6	\$57	\$60	\$63	\$66	\$69	\$72	\$75	
	3.9	10.0	4.7	5.5	6.0	\$63	\$67	\$70	\$73	\$76	\$80	\$83	

Source: Oppenheimer Research.

Exhibit 4**Worldwide Sales Current and Prior Myeloma Estimates**

Source: Oppenheimer Research.

Exhibit 5**Worldwide Sales Current and Prior DLBCL Estimates**

Source: Oppenheimer Research.

Valuation

Exhibit 6

DCF Valuation

Time of Valuation	Nov-14
WACC	15.0%
Intermediate CF Growth (2025 - 2033)	15%
Terminal FCF Growth	0.0%
Discounted FCF (2014-2033) \$MM	\$1,366.3
Terminal FCF Value \$MM	\$124.9
Total PV FCF \$MM	\$1,491.2
Cash \$MM 2Q14	\$230.9
Debt \$MM	\$0.0
Equity Value \$MM	\$1,722.1
Shares Outstanding (MM) 2Q14	32.5

DCF Value / Share	\$52.98
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Source: Oppenheimer Research Estimates.

Valuation Method: We value Karyopharm using a discounted cash flow (DCF) analysis with a WACC of 15% and a 0% terminal growth rate post 2033. Since we model the cash cost of options, we use the basic share count to avoid double-counting.

Discount Rate: Our valuation framework utilizes a 15% discount rate for pre-commercial stage companies given a higher risk profile than commercial stage (where we use 10%).

Terminal Growth Rate: We explicitly model cash flows to 2024. From 2025-2032, we grow cash flows at 15% of the prior year's rate. Given the pending Selinexor patent in 2032 and no credit for Hatch-Waxman extensions (with a projected 2017 launch, exclusivity is capped at 14 years) we decline cash flows by 50% in 2033. After 2033, we assume a terminal growth rate of 0% given the availability of a generic Selinexor, yielding a terminal value of \$125 million.

Exhibit 7

Karyopharm Therapeutics Changes to Model

\$MMs except per share data

	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Selinexor Sales											
Old	0.0	0.0	0.0	155.0	336.5	566.1	795.0	923.7	1,083.7	1,099.3	1,115.3
Current	0.0	0.0	0.0	169.7	372.1	634.3	902.5	1,055.9	1,241.0	1,257.8	1,275.0
Variance	NM	NM	NM	9.48%	10.59%	12.06%	13.52%	14.31%	14.51%	14.42%	14.32%
Contract & Grant Revenue											
Old	0.6	2.0	3.0	4.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Current	0.6	2.0	3.0	4.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Variance	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Revenue											
Old	0.6	2.0	3.0	159.0	341.5	571.1	800.0	928.7	1,088.7	1,104.3	1,120.3
Current	0.6	2.0	3.0	173.7	377.1	639.3	907.5	1,060.9	1,246.0	1,262.8	1,280.0
Variance	0.00%	0.00%	0.00%	9.24%	10.43%	11.95%	13.43%	14.23%	14.45%	14.35%	14.26%
COGS											
Old	0.0	0.0	0.0	31.0	50.5	56.6	79.5	83.1	97.5	98.9	89.2
Current	0.0	0.0	0.0	33.9	55.8	63.4	90.2	95.0	111.7	113.2	102.0
Variance	NM	NM	NM	9.48%	10.59%	12.06%	13.52%	14.31%	14.51%	14.42%	14.32%
R&D											
Old	52.7	65.9	82.3	90.6	102.4	142.8	160.0	139.3	130.6	88.3	78.4
Current	52.7	65.9	82.3	90.6	113.1	159.8	181.5	159.1	149.5	101.0	89.6
Variance	0.00%	0.00%	0.00%	0.00%	10.43%	11.95%	13.43%	14.23%	14.45%	14.35%	14.26%
SG&A											
Old	13.5	18.4	38.0	96.4	139.6	143.2	146.4	149.8	152.9	154.3	155.9
Current	13.5	18.4	38.0	96.4	139.6	143.2	146.4	149.8	152.9	154.3	155.9
Variance	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Income											
Old	(65.6)	(82.3)	(117.4)	(58.9)	48.9	228.5	414.1	556.5	707.7	762.7	796.7
Current	(65.6)	(82.3)	(117.4)	(47.2)	68.5	272.9	489.4	656.9	831.9	894.2	932.5
Variance	0.00%	0.00%	0.00%	-19.94%	40.06%	19.41%	18.16%	18.05%	17.56%	17.25%	17.04%
Interest Income											
Old	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.2
Current	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.2	0.2
Variance	0.00%	0.00%	0.00%	0.00%	8.18%	15.45%	16.42%	13.29%	14.70%	15.43%	15.79%
Interest Expense											
Old	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Variance	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Pre-Tax Income											
Old	(65.6)	(82.3)	(117.3)	(58.9)	48.9	228.5	414.2	556.5	707.8	762.8	797.0
Current	(65.6)	(82.3)	(117.3)	(47.2)	68.5	272.9	489.4	657.0	832.1	894.4	932.8
Variance	0.00%	0.00%	0.00%	-19.95%	40.05%	19.41%	18.16%	18.05%	17.56%	17.25%	17.04%
Tax Expense (Benefit)											
Old	0.0	0.0	0.0	0.0	0.0	0.0	121.4	194.8	247.7	267.0	278.9
Current	0.0	0.0	0.0	0.0	0.0	3.0	171.3	230.0	291.2	313.0	326.5
Variance	NM	NM	NM	NM	NM	NM	41.05%	18.05%	17.56%	17.25%	17.04%
Net Income (GAAP)											
Old	(65.6)	(82.3)	(117.3)	(58.9)	48.9	228.5	292.7	361.8	460.1	495.8	518.0
Current	(65.6)	(82.3)	(117.3)	(47.2)	68.5	269.9	318.1	427.1	540.8	581.3	606.3
Variance	0.00%	0.00%	0.00%	-19.95%	40.05%	18.11%	8.67%	18.05%	17.56%	17.25%	17.04%
GAAP EPS											
Old	(2.1)	(2.5)	(3.3)	(1.6)	1.3	6.0	7.6	9.3	11.8	12.7	13.2
Current	(2.1)	(2.5)	(3.3)	(1.3)	1.8	7.0	8.2	11.0	13.9	14.9	15.5
Variance	0.00%	0.00%	0.00%	-19.95%	40.05%	18.11%	8.67%	18.05%	17.56%	17.25%	17.04%
Avg. Shares Out. - Basic											
Old	31.1	32.6	35.1	37.5	37.8	38.1	38.4	38.6	38.8	39.0	39.1
Current	31.1	32.6	35.1	37.5	37.8	38.1	38.4	38.6	38.8	39.0	39.1
Variance	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Avg. Shares Out. - Diluted											
Old	31.1	33.1	35.5	37.8	38.1	38.4	38.6	38.8	38.9	39.1	39.1
Current	31.1	33.1	35.5	37.8	38.1	38.4	38.6	38.8	38.9	39.1	39.1
Variance	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Sources: Oppenheimer Research Estimates, Karyopharm Filings.

Exhibit 8**Karyopharm Therapeutics Income Statement**

\$MMs except per share data

	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Selinexor Sales	0.0	0.0	0.0	0.0	0.0	169.7	372.1	634.3	902.5	1,055.9	1,241.0	1,257.8	1,275.0
Contract & Grant Revenue	0.6	0.4	0.6	2.0	3.0	4.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Total Revenue	0.6	0.4	0.6	2.0	3.0	173.7	377.1	639.3	907.5	1,060.9	1,246.0	1,262.8	1,280.0
COGS	0.0	0.0	0.0	0.0	0.0	33.9	55.8	63.4	90.2	95.0	111.7	113.2	102.0
R&D	14.1	28.5	52.7	65.9	82.3	90.6	113.1	159.8	181.5	159.1	149.5	101.0	89.6
SG&A	2.4	5.9	13.5	18.4	38.0	96.4	139.6	143.2	146.4	149.8	152.9	154.3	155.9
Operating Income	(15.9)	(34.0)	(65.6)	(82.3)	(117.4)	(47.2)	68.5	272.9	489.4	656.9	831.9	894.2	932.5
Interest Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.2	0.2
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
Pre-Tax Income	(15.9)	(33.9)	(65.6)	(82.3)	(117.3)	(47.2)	68.5	272.9	489.4	657.0	832.1	894.4	932.8
Tax Expense (Benefit)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0	171.3	230.0	291.2	313.0	326.5
Tax Rate	NM	NM	0.0%	0.0%	0.0%	0.0%	0.0%	1.1%	35.0%	35.0%	35.0%	35.0%	35.0%
Net Income (GAAP)	(15.9)	(33.9)	(65.6)	(82.3)	(117.3)	(47.2)	68.5	269.9	318.1	427.1	540.8	581.3	606.3
GAAP EPS	(\$8.95)	(\$5.59)	(\$2.11)	(\$2.52)	(\$3.35)	(\$1.26)	\$1.80	\$7.04	\$8.24	\$11.01	\$13.89	\$14.87	\$15.49
Avg. Shares Out. - Basic	1.8	6.1	31.1	32.6	35.1	37.5	37.8	38.1	38.4	38.6	38.8	39.0	39.1
Avg. Shares Out. - Diluted	1.8	6.1	31.1	33.1	35.5	37.8	38.1	38.4	38.6	38.8	38.9	39.1	39.1

Sources: Oppenheimer Research Estimates, Karyopharm Filings.

Exhibit 9

Karyopharm Therapeutics Balance Sheet

\$MMs except per share data

	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Assets													
Cash and Equivalents	0.4	156.0	213.3	134.0	188.4	155.8	244.4	535.8	877.7	1,324.3	1,886.6	2,484.5	3,107.5
Prepaid Expenses and Other Current Asset:	0.6	2.0	0.8	3.4	4.8	8.8	12.3	14.7	16.7	16.2	16.6	14.7	13.9
Current Assets	1.0	158.0	214.1	137.4	193.2	164.6	256.8	550.5	894.4	1,340.5	1,903.2	2,499.2	3,121.4
Property, Plant, & Equipment	0.3	0.2	1.0	2.2	3.7	5.4	5.5	5.6	5.8	6.0	6.2	6.2	6.2
Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	0.0	0.0	1.4	1.3	1.2	0.9	0.6	0.3	(0.2)	(0.6)	(1.0)	(1.3)	(1.7)
Restricted Cash	-	-	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Total Assets	1.3	158.2	216.8	141.2	198.5	171.4	263.3	556.7	900.4	1,346.4	1,908.8	2,504.5	3,126.3
Liabilities													
Accounts Payables	1.1	1.7	2.8	4.2	6.0	11.0	15.4	18.3	20.9	20.2	20.7	18.4	17.4
Accrued Liabilities	0.8	1.2	2.3	3.4	4.8	8.8	12.3	14.7	16.7	16.2	16.6	14.7	13.9
Deferred Revenue	0.1	0.1	-	-	-	-	-	-	-	-	-	-	-
Deferred Rent	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.3	-	-	-	-	-	-	-	-	-	-	-
Current Liabilities	1.9	3.3	5.1	7.6	10.9	19.9	27.8	33.0	37.7	36.4	37.3	33.2	31.3
Preferred Stock Subscription	9.0	-	-	-	-	-	-	-	-	-	-	-	-
Series A Convertible Preferred	18.3	-	-	-	-	-	-	-	-	-	-	-	-
Series B Convertible Stock	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Rent	-	-	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other Liabilities	-	-	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total Liabilities	29.2	3.3	5.5	8.0	11.2	20.3	28.1	33.4	38.0	36.7	37.6	33.5	31.6
Convertible Preferred Stock	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock	-	0.0	-	-	-	-	-	-	-	-	-	-	-
Additional Paid-In Capital	0.7	217.5	-	-	-	-	-	-	-	-	-	-	-
Accumulated Deficit	(28.6)	(62.6)	-	-	-	-	-	-	-	-	-	-	-
Shareholders' Equity	(27.9)	154.9	211.3	133.3	187.3	151.2	235.1	523.4	862.4	1,309.6	1,871.2	2,471.0	3,094.6
Total Liabilities & Equity	1.3	158.2	216.8	141.2	198.5	171.4	263.3	556.7	900.4	1,346.4	1,908.8	2,504.5	3,126.3

Sources: Oppenheimer Research Estimates, Karyopharm Filings.

Exhibit 10

Karyopharm Cash Flow Statement

\$MMs except per share data

	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Net Income	(15.9)	(33.9)	(65.5)	(82.3)	(117.3)	(47.2)	68.5	269.9	318.1	427.1	540.8	581.3	606.3
Depreciation & Amortization	0.1	0.1	0.3	0.8	1.6	2.8	3.4	3.9	4.2	4.1	4.3	4.3	4.3
Share-Based Compensation	0.7	3.8	8.2	4.2	6.0	11.0	15.4	18.3	20.9	20.2	20.7	18.4	17.4
Other	-	0.1	-	-	-	-	-	-	-	-	-	-	-
Total Operating Sources	(15.1)	(29.9)	(57.1)	(77.2)	(109.7)	(33.3)	87.4	292.1	343.2	451.3	565.8	604.1	628.0
Prepaid Expenses and other current assets	(0.2)	(1.4)	1.2	(2.6)	(1.4)	(4.0)	(3.5)	(2.3)	(2.1)	0.6	(0.4)	1.8	0.8
Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Payable	(0.1)	0.7	1.0	1.4	1.8	5.0	4.4	2.9	2.6	(0.7)	0.5	(2.3)	(1.1)
Accrued Expenses and other	0.0	0.4	0.9	1.1	1.4	4.0	3.5	2.3	2.1	(0.6)	0.4	(1.8)	(0.8)
Deferred Revenue	(0.1)	0.0	(0.1)	-	-	-	-	-	-	-	-	-	-
Deferred Rent	-	-	0.2	-	-	-	-	-	-	-	-	-	-
Other	-	-	(0.8)	-	-	-	-	-	-	-	-	-	-
Changes in Operating Assets/Liabilities	(0.4)	(0.4)	2.6	(0.1)	1.8	5.0	4.4	2.9	2.6	(0.7)	0.5	(2.3)	(1.1)
Operating Cash Flow	(15.5)	(30.3)	(54.5)	(77.4)	(107.9)	(28.3)	91.8	295.0	345.8	450.6	566.3	601.8	626.9
Capital Expenditures	(0.1)	(0.1)	(0.9)	(2.0)	(3.0)	(4.3)	(3.1)	(3.6)	(3.9)	(3.9)	(4.0)	(4.0)	(3.9)
Proceeds/Purchase of Securities	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	(0.4)	-	-	-	-	-	-	-	-	-	-
Investing Cash Flow	(0.1)	(0.1)	(1.3)	(2.0)	(3.0)	(4.3)	(3.1)	(3.6)	(3.9)	(3.9)	(4.0)	(4.0)	(3.9)
Issuance/Purchase of Stock	0.0	113.155	113.2	-	165.3	-	-	-	-	-	-	-	-
Issuance/Payment Convertible Notes	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds/Purchase of Preferred Stock	2.0	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds/Purchase of Convertible Preferred	7.5	72.434	-	-	-	-	-	-	-	-	-	-	-
Proceeds from the Exercise of Stock Options	-	0.341	0.1	-	-	-	-	-	-	-	-	-	-
Financing Cash Flow	9.5	185.9	113.3	-	165.3	-	-	-	-	-	-	-	-
Effect of Exchange Rates	-	-	-	-	-	-	-	-	-	-	-	-	-
Beginning Cash	6.5	0.4	156.0	213.3	134.0	188.4	155.8	244.4	535.8	877.7	1,324.3	1,886.6	2,484.5
Net Increase (Decrease) in Cash	(6.1)	155.6	57.4	(79.4)	54.4	(32.6)	88.6	291.4	341.8	446.7	562.3	597.9	623.0
Ending Cash	0.4	156.0	213.3	134.0	188.4	155.8	244.4	535.8	877.7	1,324.3	1,886.6	2,484.5	3,107.5

Sources: Oppenheimer Research Estimates, Karyopharm Filings.

Investment Thesis

The emerging Phase 1 data for Karyopharm's lead drug Selinexor suggest to us fair-to-good chances of approval as a salvage therapy in several advanced cancers. We focus our work on myeloma, DLBCL, elderly AML and sarcoma, where we currently see the strongest efficacy data and where modest share and duration assumptions in the relapsed/refractory settings collectively support upside to the current valuation. Maturing Phase 1 data (and readouts from newly initiated Phase 2 trials) could support incremental upside if we see: **1)** increased duration of treatment in myeloma, DLBCL, elderly AML and sarcoma; and **2)** better defined signals of activity in additional blood cancers and/or solid tumors.

Price Target Calculation

We value Karyopharm using a discounted cash flow (DCF) analysis with a WACC of 15% and a 0% terminal growth rate post-2033, yielding discounted free cash flows of \$1,491 million. Cash per share (~\$230 million) and 32.5 million shares yields a DCF value per share of \$53. Our valuation framework utilizes a 15% discount rate for pre-commercial stage companies given a higher risk profile than commercial stage (where we use 10%). We explicitly model cash flows to 2024. From 2025 to 2032, we grow cash flows at 15% of the prior year's rate. Given the pending Selinexor patent in 2032 and no credit for Hatch-Waxman extensions (with a projected 2017 launch, exclusivity is capped at 14 years), we decline cash flows by 50% in 2033. After 2033, we assume a terminal growth rate of 0% given the availability of a generic Selinexor, yielding a terminal value of \$125 million.

Key Risks to Price Target

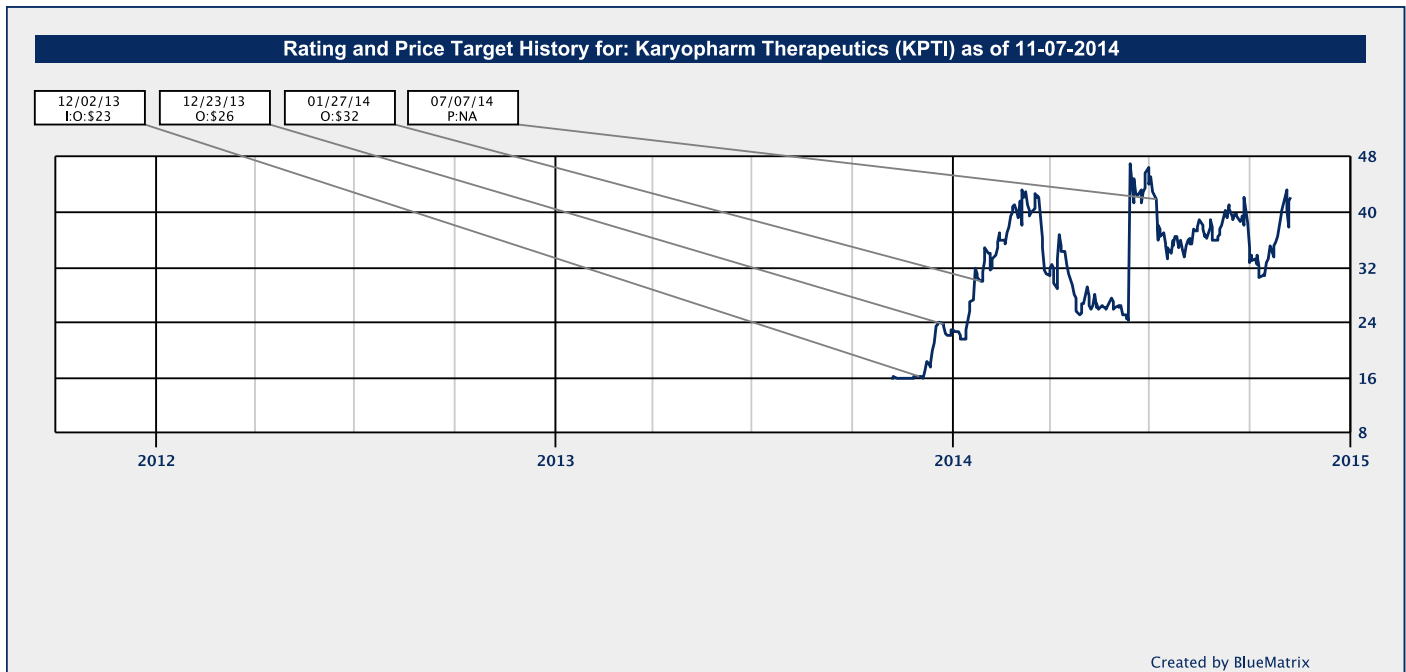
Key risks include: **1)** Selinexor's efficacy in modeled indications (DLBCL, elderly AML, myeloma, and sarcomas) may fail to gain validation with additional clinical data. **2)** Although there are currently no clinical competitors, a pre-clinical XPO1/CRM1 inhibitor with better safety or efficacy characteristics than Selinexor could be advanced into the clinic. **3)** Costs to develop Selinexor across a potentially broad range of blood cancers and solid tumors may exceed our projections, leading to a financing gap. **4)** Karyopharm will likely require additional dilutive capital before reaching commercial stage. **5)** Karyopharm may be unsuccessful in commercializing Selinexor independently (as we currently model) in the US and EU. **6)** Current issued US patents (specifically US patent No. 8,513,230) cover composition of matter for related SINEs but not for Selinexor. The filed composition of matter patent specific to Selinexor (with expected protection through 2032) is still under review by the USPTO.

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