

May 7, 2014

Gregory R. Wade, Ph.D. (415) 274-6863

David M. Nierengarten, Ph.D. (415) 274-6862

Christopher N. Marai, Ph.D. (415) 274-6861

Epizyme (EPZM - OUTPERFORM): EPZM Initiates a Phase 1b Study of EPZ-5676 in the Pediatric MLL-r Setting

Price: \$21.20

12-Month Price Target: \$52

- **EPZM announced the initiation of a proof-of-concept Phase 1b study of EPZ-5676 (DOT1L methyltransferase inhibitor) in the pediatric MLL-r (rearranged MLL gene due to chromosomal translocation) setting.** MLL-r is an aggressive genetic subtype of acute leukemia with an overall five-year survival rate of approximately 5-24% in adults. This study is designed to assess the safety, pharmacokinetics, and pharmacodynamics of EPZ-5676 in a range of doses starting at 45 mg/m² for children less than 12 months of age and 70 mg/m² for patients older than 12 months. Patients between the ages of 3 months and 18 years are being enrolled. Data from this Phase 1b study in the pediatric MLL-r setting and data from the ongoing MLL-PTD (partial tandem duplication) and MLL-r adult Phase 1 studies are expected in H2:14.
- **Upcoming milestones include:** Data from the Phase I dose escalation and expansion stage study of the DOT1L inhibitor (EPZ-5676) in the acute leukemia setting at a major medical conference (H2:14; potentially at ASH Dec. 6-9), and top-line data from the Phase I study of the EZH2 inhibitor (EPZ-6438) in the advanced solid tumors or relapsed/refractory B-cell lymphoma settings at a major medical conference (H2:14; potentially at ASH Dec. 6-9).
- **Reiterate OUTPERFORM rating and \$52 price target.** Our price target of \$52 per share is derived from applying 8x and 15x multiples to our 2019 estimated sales and royalty revenues, respectively, discounted by 25% annually back to YE:14 and using our 2019 fully-diluted shares estimate of 35.7 million.
- Risks to achievement of our price target include clinical, regulatory, or market failure of EPZ-5676 and/or EPZ-6438.

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Analyst Certification

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Investment Rating System:

Outperform: Expect the total return of the stock to outperform relative to the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

Neutral: Expect the total return of the stock to perform in-line with the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

Underperform: Expect the total return of the stock to underperform relative to the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

The Investment Ratings are based on the expected performance of a stock (based on anticipated total return to price target) relative to the other stocks in the analyst's coverage universe (or the analyst's team coverage).*

Rating Distribution (as of March 31, 2014)	Investment Banking Relationships (as of March 31, 2014)
Outperform: 54%	Outperform: 22%
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Underperform: 3%	Underperform: 0%

The Distribution of Ratings is required by FINRA rules; however, WS' stock ratings of Outperform, Neutral, and Underperform most closely conform to Buy, Hold, and Sell, respectively. Please note, however, the definitions are not the same as WS' stock ratings are on a relative basis.

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Wedbush Equity Research Disclosures as of May 7, 2014

Company	Disclosure
Epizyme	1,3,4,5

Research Disclosure Legend

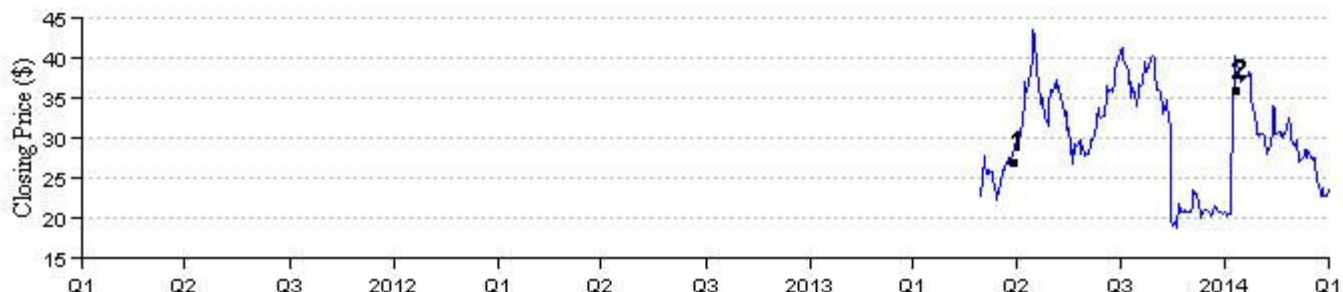
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EPZM

1) 06/26/13	2) 01/07/14
OUTPERFORM \$37	OUTPERFORM \$52



* WS changed its rating system from (Strong Buy/Buy/Hold/Sell) to (Outperform/ Neutral/Underperform) on July 14, 2009.

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RESEARCH DEPT. * (213) 688-4505 * www.wedbush.com

EQUITY TRADING Los Angeles (213) 688-4470 / (800) 421-0178 * **EQUITY SALES** Los Angeles (800) 444-8076

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WEDBUSH

EQUITY RESEARCH DEPARTMENT

(213) 688-4529

DIRECTOR OF RESEARCH

Mark D. Benson (213) 688-4435

MANAGER, RESEARCH OPERATIONS

Ellen Kang (213) 688-4529

RETAIL AND CONSUMER

Consumer Products

Rommel T. Dionisio (212) 938-9934
Alicia Reese (212) 938-9927

Footwear, Apparel and Accessories

Corinna Freedman (212) 668-9876

Healthy Lifestyles

Kurt M. Frederick, CFA CPA (415) 274-6822
Alicia Reese (212) 938-9927

Restaurants

Nick Setyan (213) 688-4519
Colin Radke (213) 688-6624

Specialty Retail: Hardlines

Joan L. Storms, CFA (213) 688-4537
John Garrett, CFA (213) 688-4523

Seth Basham, CFA (212) 938-9954

Specialty Retail: Softlines

Morry Brown (213) 688-4311
Taryn Kuida (213) 688-4505

RETAIL/CONSUMER MARKET RESEARCH

Gabriella Santaniello (213) 688-4557

INDUSTRIAL GROWTH TECHNOLOGY

Clean Technology

Craig Irwin (212) 938-9926

Environmental Services / Building Products

Al Kaschalk (213) 688-4539

Water and Renewable Energy Solutions

David Rose, CFA (213) 688-4319
James Kim (213) 688-4380

TECHNOLOGY, INTERNET, MEDIA & SOCIAL MEDIA

Communications and Application Software

Shyam Patil, CFA (213) 688-8062
Andy Cheng (213) 688-4548

Enterprise Security

Sanjit Singh (415) 273-7323

Computer Services: Financial Technology

Gil B. Luria (213) 688-4501
Aaron Turner (213) 688-4429

Enterprise Software

Steve Koenig (415) 274-6801
Kevin Ikeda (213) 688-4423

Entertainment: Retail

Michael Pachter (213) 688-4474
Nick McKay (213) 688-4343
Nick Citrin (213) 688-4495

Entertainment: Software

Michael Pachter (213) 688-4474
Nick McKay (213) 688-4343
Nick Citrin (213) 688-4495

Internet: Media and Gaming

Michael Pachter (213) 688-4474
Nick McKay (213) 688-4343
Nick Citrin (213) 688-4495

Internet: Social Media, Advertising & Technology

Shyam Patil, CFA (213) 688-8062
Andy Cheng (213) 688-4548

Media

James Dix, CFA (213) 688-4315

Movies and Entertainment

Michael Pachter (213) 688-4474
Nick McKay (213) 688-4343
Nick Citrin (213) 688-4495

Semiconductors

Betsy Van Hees (415) 274-6869
Ryan Jue, CFA (415) 263-6669

LIFE SCIENCES AND HEALTH CARE

Biotechnology/Biopharmaceuticals/BioDefense

Gregory R. Wade, Ph.D. (415) 274-6863
David M. Nierengarten, Ph.D. (415) 274-6862
Christopher N. Marai, Ph.D. (415) 274-6861
Dilip Joseph (415) 273-7308

Emerging Pharmaceuticals

Liana Moussatos, Ph.D. (415) 263-6626

Healthcare Services - Managed Care

Sarah James (213) 688-4503

Medical Devices

Tao Levy (212) 938-9948

Medical Diagnostics and Life Sciences Tools

Zarak Khurshid (415) 274-6823

EQUITY SALES

Los Angeles (213) 688-4470 / (800) 444-8076
San Francisco (415) 274-6800
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Boston (617) 832-3700

EQUITY TRADING

Los Angeles (213) 688-4470 / (800) 421-0178
San Francisco (415) 274-6811
New York (212) 344-2382
Boston (617) 832-3700

CORPORATE HEADQUARTERS

1000 Wilshire Blvd., Los Angeles, CA 90017-2465

Tel: (213) 688-8000 www.wedbush.com