

## Karyopharm Therapeutics (KPTI)

### Q3:14 Earnings, KPTI Continuing to Aggressively Pursue Clinical Development of Selinexor, Reiterate OUTPERFORM

- Q3:14 EPS was (\$0.61) per share, a larger loss than our estimate of (\$0.47) and consensus of (\$0.52), due to higher-than-expected R&D costs related to clinical development activities for lead drug candidate, Selinexor (KPT-330). KPTI ended the quarter with cash and equivalents of \$227M and anticipates ending 2014 with approximately \$210M, enough to fund activities until 2H:17.
- KPTI announced initiation of a Phase 2 study of Selinexor in relapsed/refractory (r/r) Richter's Transformation (SIRTT). This open-label, single-arm study will enroll approximately 50 patients in approximately 35 sites and is expected to take about two years. Richter's transformation is an aggressive form of non-Hodgkin's Lymphoma (NHL) that develops in approximately 5-15% of patients with chronic lymphocytic leukemia (CLL). We would expect an overall response rate (ORR) of > 20% to be significant and possibly support FDA approval.
- As reported last week in published abstracts for the American Society of Hematology (ASH) meeting, Selinexor demonstrated ORR of 40% in r/r aggressive NHL for 10 patients and 60% in ten heavily pretreated refractory multiple myeloma patients treated with a combination of Selinexor and dexamethasone, indicating a broad spectrum of activity for Selinexor in hematological malignancies.
- Based on early clinical data from a Phase 1 clinical study in solid tumors presented at the European Society for Medical Oncology (ESMO) in September, Selinexor could also have utility in several solid tumor types, especially in virally-driven cancers where p53 remains wild type (some head and neck cancers and many gynecological malignancies). Management indicated viral status of solid tumors from patients in these studies will be part of the data gathering plans. KPTI is currently enrolling patients in four Phase 2 solid tumor studies and expects to report interim data in mid:15.
- Reiterate OUTPERFORM and \$50 price target. Our \$50 price target is derived from a 6x multiple of 2020 sales of Selinexor in the US and EU across multiple cancer indications, discounted back by 30% for hematological malignancies and 35% for solid tumor indications.

November 10, 2014

Price  
**\$42.14**

Rating  
**OUTPERFORM**

12-Month Price Target  
**\$50**

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#### Company Information

Shares Outst (M)	32.6
Market Cap (M)	\$1373.3
52-Wk Range	\$15.50 - \$47.98
Book Value/sh	\$4.43
Cash/sh	\$6.97
Enterprise Value (M)	\$1146.2
LT Debt/Cap %	0.0
Cash Burn (M)	\$64.8

#### Company Description

Karyopharm Therapeutics (KPTI) is focused on the development of novel small-molecule therapeutics targeting the nuclear export protein XPO1. KPTI's lead product, Selinexor, has demonstrated activity in Phase I trials across a wide variety of cancers.



Source: Thomson Reuters

FYE Dec	2013A	2014E			2015E		
REV	ACTUAL	CURR.	PREV.	CONS.	CURR.	PREV.	CONS.
Q1 Mar	--	0.2A		\$0.2A	0.0E		\$0.0E
Q2 Jun	--	0.0A		0.0A	0.0E		0.0E
Q3 Sep	0.0A	0.0A		0.1A	0.0E		0.0E
Q4 Dec	0.0A	0.0E		0.1E	0.0E		0.0E
Year*	0.4A	0.2E		\$0.3E	0.0E		\$0.6E
Change	--	-39%			-100%		
EPS	2013A	2014E			2015E		
	ACTUAL	CURR.	PREV.	CONS.	CURR.	PREV.	CONS.
Q1 Mar	--	(\$0.46)A		(\$0.46)A	(\$0.65)E	(\$0.55)E	(\$0.56)E
Q2 Jun	--	(\$0.55)A		(\$0.55)A	(\$0.75)E	(\$0.65)E	(\$0.62)E
Q3 Sep	\$0.00A	(\$0.61)A	(\$0.47)A	(\$0.52)A	(\$0.82)E	(\$0.71)E	(\$0.64)E
Q4 Dec	(\$1.96)A	(\$0.59)E	(\$0.48)E	(\$0.58)E	(\$0.86)E	(\$0.75)E	(\$0.70)E
Year*	(\$5.59)A	(\$2.21)E	(\$1.97)E	(\$2.11)E	(\$3.09)E	(\$2.65)E	(\$2.81)E
P/E	--	--			--		
Change	--	61%			-40%		

Consensus estimates are from Thomson First Call.

\* Numbers may not add up due to rounding.

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Risks to the achievement of our price target include the clinical, regulatory or commercial failure of Selinexor.

## Milestones

Q4:14	Data presentation at ASH for Selinexor
Q4:14	Initiate registration directed Phase II SADAL trial of Selinexor in DLBCL
2014/2015	Initiate two registration-directed Phase II/III trials for Selinexor in undisclosed indications (at least one solid tumor)
2015	Possible submission of IND for KPT-350
2015	Preliminary data from Phase II SOPRA trial of Selinexor in AML
2015	Possible submission of IND for Pak4 inhibitor
Mid:15	Interim Phase II data for Selinexor in prostate cancer, gynecologic malignancies and glioblastoma multiforme
H1:15	Start of Phase II trial of Selinexor in r/r T-cell lymphoma
H1:16	Data from Phase II SIRRT trial of Selinexor in Richter's transformation
Mid:16	Data from Phase II SOPRA trial of Selinexor in elderly patients with relapsed/refractory AML
H2:16	Data from Phase II SADAL trial of Selinexor in relapsed/refractory DLBCL

11/10/2014  
Ticker: (KPTI:Nasdaq)  
Karyopharm Therapeutics, Inc

Wedbush PacGrow Life Sciences  
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	2013	Q1	Q2	Q3	Q4	2014E	2015E	2016E	2017E	2018E	2019E	2020E
<b>Revenues:</b>												
US Product Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$16,077	\$232,860	\$472,446	\$762,073
ex-US sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$19,013	\$335,523	\$688,756
Licensing and other revenue	\$387	\$171	\$21	\$21	\$21	\$234	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Revenues</b>	<b>387</b>	<b>171</b>	<b>21</b>	<b>21</b>	<b>21</b>	<b>234</b>	<b>0</b>	<b>0</b>	<b>16,077</b>	<b>251,874</b>	<b>807,969</b>	<b>1,450,828</b>
<b>Cost and Expenses:</b>												
Cost of Sales	0	0	0	0	0	0	0	0	804	12,594	40,398	72,541
R&D	28,452	10,979	13,159	15,951	16,951	57,040	89,804	104,895	113,542	122,901	133,032	143,998
SG&A	5,885	2,904	3,310	3,814	3,890	13,918	16,355	17,269	21,637	140,245	319,477	448,049
<b>Total Operating Expenses</b>	<b>34,337</b>	<b>13,883</b>	<b>16,469</b>	<b>19,765</b>	<b>20,841</b>	<b>70,958</b>	<b>106,159</b>	<b>122,164</b>	<b>135,983</b>	<b>275,740</b>	<b>492,908</b>	<b>664,589</b>
Operating Income (Loss)	(33,950)	(13,712)	(16,448)	(19,744)	(20,820)	(70,724)	(106,159)	(122,164)	(119,906)	(23,866)	315,061	786,240
Net Interest Income (Expense)	3	18	17	20	1,703	1,758	5,346	3,413	3,046	3,184	3,884	12,709
Other non-operating Income (Expense)	0	0	0	0	0	0	0	0	0	0	0	0
<b>Income Before Income Taxes</b>	<b>(33,947)</b>	<b>(13,694)</b>	<b>(16,431)</b>	<b>(19,724)</b>	<b>(19,117)</b>	<b>(68,966)</b>	<b>(100,813)</b>	<b>(118,751)</b>	<b>(116,860)</b>	<b>(20,682)</b>	<b>318,945</b>	<b>798,949</b>
Provision for Income Taxes	0	0	0	0	0	0	0	0	0	94	124,389	226,370
<b>Net Income (Loss)</b>	<b>(33,947)</b>	<b>(13,694)</b>	<b>(16,431)</b>	<b>(19,724)</b>	<b>(19,117)</b>	<b>(68,966)</b>	<b>(100,813)</b>	<b>(118,751)</b>	<b>(116,860)</b>	<b>(20,776)</b>	<b>194,557</b>	<b>572,579</b>
<b>Non-GAAP EPS</b>	<b>(1.02)</b>	<b>(0.37)</b>	<b>(0.42)</b>	<b>(0.51)</b>	<b>(0.49)</b>	<b>(1.71)</b>	<b>(2.68)</b>	<b>(2.94)</b>	<b>(2.71)</b>	<b>(0.58)</b>	<b>5.14</b>	<b>15.17</b>
<b>GAAP EPS</b>	<b>(5.59)</b>	<b>(0.46)</b>	<b>(0.55)</b>	<b>(0.61)</b>	<b>(0.59)</b>	<b>(2.21)</b>	<b>(3.09)</b>	<b>(3.48)</b>	<b>(3.24)</b>	<b>(0.55)</b>	<b>5.16</b>	<b>15.19</b>
Total Shares Outstanding	29,587	29,619	29,720	32,590	32,615	32,615	32,715	35,715	37,715	37,684	37,684	37,684
Cash Burn	(34,007)	(12,680)	(16,119)	(20,879)	(15,140)	(64,818)	(106,866)	(120,849)	(121,431)	(48,262)	293,253	752,410
Cash Balance	155,974	144,893	132,307	227,131	212,608	212,608	109,958	139,733	115,897	70,095	241,988	778,740

Source: Company data and Wedbush Securities

## Analyst Biography

David is an Analyst covering stocks in the Biotechnology/Biopharmaceuticals/BioDefense sector. His prior sell-side research experience at Robert W. Baird & Co. covered biotechnology companies of all market capitalizations, with a focus on oncology and rare diseases.

David received his B.S. (Biochemistry) from the University of Wisconsin-Madison and Ph.D. (Molecular and Cell Biology) from the University of California-Berkeley.

*David's Edge:* David's early stage venture capital investing experience gives him a balanced perspective on developmental-stage biotechnology companies and their ultimate risk/reward potential. His experience on the other side of that equation in a clinical-stage, venture backed biotechnology company provides him with insights into corporate operations. The combination of experiences creates a focus on value creation in this event-driven space.

## Analyst Certification

I, David M. Nierengarten, Ph.D., Heather Behanna, Ph.D., Dilip Joseph, certify that the views expressed in this report accurately reflect my personal opinion and that I have not and will not, directly or indirectly, receive compensation or other payments in connection with my specific recommendations or views contained in this report.

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Neutral: 43%	Neutral: 1%
Underperform: 3%	Underperform: 0%

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Company	Disclosure
Karyopharm Therapeutics	1,3,4,5

## Research Disclosure Legend

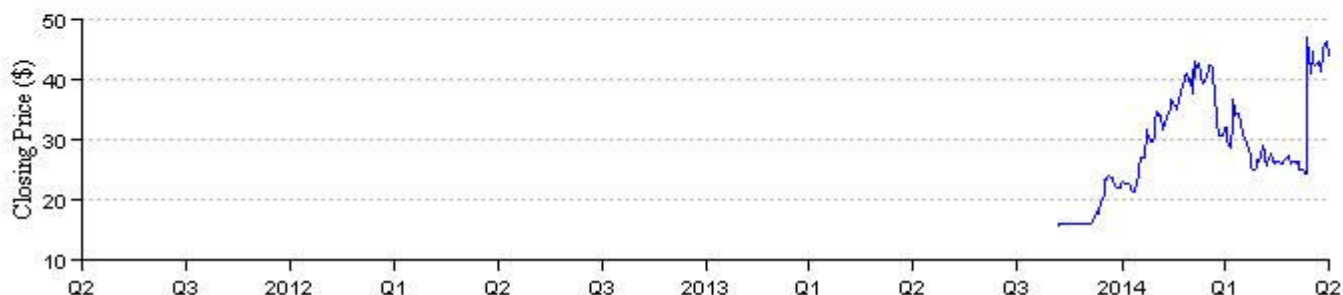
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#### KPTI



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