

August 8, 2014

HEALTHCARE/BIO TECHNOLOGY

Stock Rating:

PERFORM

12-18 mo. Price Target NA
KPTI - NASDAQ \$35.48

3-5 Yr. EPS Gr. Rate NM
52-Wk Range \$47.98-\$15.50
Shares Outstanding 29.8M
Float 8.4M
Market Capitalization \$1,159.1M
Avg. Daily Trading Volume 438,824
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
Prior (E)	--	(0.50)	(0.49)	--	(2.03)	NM
2015E	--	--	--	--	(2.52)	NM
Prior (E)	--	--	--	--	(3.04)	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
Prior (E)	--	0.2	--	--	0.8	NM
2015E	--	--	--	--	2.0	NM

Karyopharm Therapeutics

Selinexor's Footprint Broadens

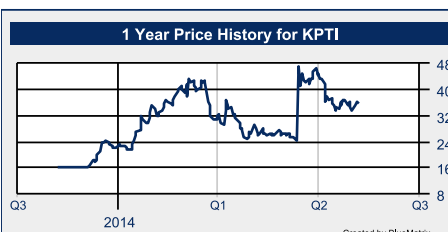
SUMMARY

With no new data post-EHA, management focused the 2Q update on the expanding spectrum of hematologic and solid tumor trials under way for Selinexor. Highlights include trials in newly diagnosed elderly AML/MDS (+Ara-C) and R/R AML (+decitabine), among others (see Exhibit 2 inside) where Karyopharm benefits from an engaged KOL base interested in combination work. Additional planned investigator sponsored trials in MM (+Kyprolis, +Pomalyst/dex) and CLL (+Imbruvica) should provide valuable context on the degree of additive or synergistic activity potentially achievable with Selinexor. Key 2H catalysts including ESMO (minor solid tumor update) and ASH (major hematologic + solid tumor update) will be important to better delineate: **1)** the path forward in solid tumors; and **2)** the R/R myeloma response rate.

KEY POINTS

- **More Thoughts on R/R Myeloma.** A recent paper suggests a ~15% response rate for lo-dex in patients with ~5 median prior therapies (same as Karyopharm's Ph1). Selinexor (35-60 mg/m²) achieved a 6% ORR vs. the 50% seen in combo (45 mg/m²) with lo-dex, implying: **1)** substantial synergy or **2)** an atypical performance from either agent.
- **Dex Synergy?** Dex binds the glucocorticoid receptor, which activates downstream anti-inflammatory pathways only when inside the nucleus. The glucocorticoid receptor is also a cargo protein for XPO1-driven transport outside the nucleus, and Selinexor blocks XPO1. Data in up to another 12 myeloma patients (ASH) could shed further light on the clinical significance of this reasoning.
- **Pivotal R/R DLBCL.** Karyopharm is initiating a registration-directed Phase 2b (4Q14 start). Moving to fixed dosing (vs. per m²) makes sense given: 1) PK arguments; and 2) operational simplicity. Inclusion of 8-12 mg dex as supportive care appears unlikely to impact efficacy given significant steroid exposure (i.e., R-CHOP, R-DHAP) in prior lines driving dex resistance.
- **Solid Tumors.** Management commentary on the 2Q call seemed to steer away from sarcoma as a primary consideration for a registrational trial (prostate and gynecologic were emphasized instead). Based on the current data, we continue to see sarcoma as more promising, though trial updates at ESMO/ASH may provide opportunities to reassess our thinking.
- **Model.** Adj. R&D spend per guidance for cash into 2H17. Refined 2014E EPS.

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**Catalyst Calendar**

Drug	Type	Event	Phase	Timing	Clinical Trial ID
Selinexor	Clinical Data	Solid Tumor (i.e., Prostate, Gynecological, Sarcoma) Updates at ESMO	1	3Q14	
Selinexor	Clinical Data	R/R Myeloma, DLBCL, AML, Solid Tumor Updates* at ASH	1	4Q14	
Selinexor	Clinical Data	Pivotal R/R Richter's Transformation (SIRRT) Readout	2	2H15	NCT02138786
Selinexor	Clinical Data	Pivotal R/R DLBCL (SADAL) Readout	2b	2016	TBD
Selinexor	Clinical Data	Pivotal Trial in R/R Elderly AML (SOPRA) Readout	2	2016	NCT02088541
Selinexor	Clinical Data	Pre-Treated Head and Neck Squamous Cell Readout	2	TBD	TBD
Selinexor	Clinical Data	Heavily Pre-Treated non-Hodgkin Lymphomas in Combo w/ Rituximab	1	TBD	TBD

* Likely at Analyst Event at ASH

Sources: Oppenheimer Research, Karyopharm Therapeutics Presentations, clinicaltrials.gov.

Exhibit 2**Announced and Planned Investigator-Sponsored Trials**

Academic Sponsor	Indication	Selinexor Combined with "X"	Phase	Expected Completion Date	Clinicaltrials.gov Identifier
University Hospitals, Leuven, Belgium	Advanced Gynecologic Malignancies (SIGN)	NA	2	1H15	NCT02025985
Rigshospitalet (Copenhagen) / Columbia University / Dana Farber	Recurrent Glioblastoma After Failure of Radiation and Temozolomide (KING)	NA	2	3Q15	NCT01986348
M.D. Anderson Cancer Center	Metastatic Hormone Refractory Prostate Cancer (SHIP)	NA	2	Late 2015	NCT02146833
H.Lee Moffitt Cancer Center	R/R Multiple Myeloma	Pegylated Liposomal Doxorubicin	1/2	1H16	NCT02186834
University of Chicago / NCI	R/R Multiple Myeloma (SINE)	Kyprolis + Dex	1	1H16	NCT02199665
Barbara Ann Karmanos Cancer Institute	Metastatic Pancreatic Cancer	Gemcitabine + Abraxane	1/2	2016	NCT02178436
National University Hospital, Singapore	Solid tumors (Asian patients)	NA	1	1Q17	NCT02078349
Sheba Medical Center	Neoadjuvant Locally Advanced Rectal Cancer	Standard Chemoradiation	1	3Q17	NCT02137356
Ohio State University Comprehensive Cancer Center	R/R Acute Myeloid Leukemia	Decitabine	1	3Q17	NCT02093403
Ohio State University Comprehensive Cancer Center	Unresectable melanoma	NA	1	3Q17	NCT02120222
Dana Farber Cancer Institute	R/R Childhood ALL and AML	NA	1	2Q18	NCT02091245
Cardiff University	Newly Diagnosed Elderly Patients w/AML or MDS	Low Dose Ara-C	TBD	TBD	Not Yet Listed
TBD	R/R Multiple Myeloma	Pomalyst + Dex	TBD	TBD	Not Yet Listed
TBD	Colon & Lung	Irinotecan	TBD	TBD	Not Yet Listed
TBD	Gynecologic cancers	Paclitaxel + Carboplatin	TBD	TBD	Not Yet Listed
TBD	R/R Acute Myeloid Leukemia	Nexavar	TBD	TBD	Not Yet Listed
TBD	R/R CLL	Imbruvica	TBD	TBD	Not Yet Listed
TBD	R/R DLBCL	R-CHOP	TBD	TBD	Not Yet Listed

Sources: Oppenheimer Research, Karyopharm Therapeutics Presentations, clinicaltrials.gov.

Exhibit 3**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	155.0	336.5	566.1	795.0	923.7	1,083.7	1,099.3	1,115.3
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	159.0	341.5	571.1	800.0	928.7	1,088.7	1,104.3	1,120.3
COGS	0.0	0.0	0.0	0.0	0.0	31.0	50.5	56.6	79.5	83.1	97.5	98.9	89.2
R&D	14.1	28.5	52.7	65.9	82.3	90.6	102.4	142.8	160.0	139.3	130.6	88.3	78.4
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)	(58.9)	48.9	228.5	414.1	556.5	707.7	762.7	796.7
Interest Income	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.3	0.5	0.7	0.9
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)	(65.5)	(82.2)	(117.3)	(58.8)	49.0	228.6	414.3	556.8	708.2	763.4	797.7
Tax Expense (Benefit)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	121.6	194.9	247.9	267.2	279.2
Tax Rate	NM	NM	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	29.4%	35.0%	35.0%	35.0%	35.0%
Net Income (GAAP)	(15.9)	(33.9)	(65.5)	(82.2)	(117.3)	(58.8)	49.0	228.6	292.7	361.9	460.3	496.2	518.5
GAAP EPS	(\$8.95)	(\$5.59)	(\$2.11)	(\$2.52)	(\$3.34)	(\$1.57)	\$1.29	\$5.96	\$7.58	\$9.33	\$11.82	\$12.70	\$13.25
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 4**Karyopharm 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	213.5	134.1	188.6	144.3	212.0	460.6	775.1	1,155.1	1,635.2	2,146.8	2,681.0
Prepaid Expenses and Other Current Asset:	0.6	2.0	0.8	3.4	4.8	8.7	11.7	13.7	15.4	14.9	15.2	13.7	12.9
Current Assets	1.0	158.0	214.2	137.5	193.4	153.0	223.7	474.3	790.5	1,170.0	1,650.4	2,160.5	2,693.9
Property, Plant, & Equipment	0.3	0.2	1.0	2.2	3.8	5.2	5.1	5.1	5.2	5.4	5.5	5.5	5.5
Deposits	0.3	-	-	-	-	-	-	-	-	-	-	-	-
Other	0.0	0.0	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
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	1.6	158.2	217.0	141.6	199.0	160.0	230.6	481.2	797.5	1,177.2	1,657.7	2,167.8	2,701.1
Liabilities													
Accounts Payables	1.1	1.7	2.8	4.2	6.0	10.9	14.6	17.1	19.3	18.6	19.1	17.1	16.2
Accrued Liabilities	0.8	1.2	2.3	3.4	4.8	8.7	11.7	13.7	15.4	14.9	15.2	13.7	12.9
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	19.6	26.4	30.9	34.8	33.5	34.3	30.8	29.1
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	20.0	26.7	31.2	35.1	33.9	34.7	31.1	29.5
Shareholders' Equity	(27.6)	154.9	211.5	133.6	187.7	140.0	203.9	450.0	762.4	1,143.3	1,623.1	2,136.7	2,671.7
Total Liabilities & Equity	1.6	158.2	217.0	141.6	199.0	160.0	230.6	481.2	797.5	1,177.2	1,657.7	2,167.8	2,701.1

Sources: Oppenheimer Research Estimates, Karyopharm Filings.

Exhibit 5

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)	(82.2)	(117.3)	(58.8)	49.0	228.6	292.7	361.9	460.3	496.2	518.5
Depreciation & Amortization	0.1	0.1	0.2	0.8	1.6	2.7	3.2	3.6	3.7	3.6	3.8	3.8	3.8
Share-Based Compensation	0.7	3.8	8.2	4.2	6.0	10.9	14.6	17.1	19.3	18.6	19.1	17.1	16.2
Other	-	0.1	-	-	-	-	-	-	-	-	-	-	-
Total Operating Sources	(15.1)	(29.9)	(57.1)	(77.2)	(109.7)	(45.3)	66.8	249.3	315.8	384.1	483.2	517.1	538.5
Prepaid Expenses and other current assets	(0.2)	(1.4)	1.2	(2.6)	(1.4)	(3.9)	(3.0)	(2.0)	(1.7)	0.5	(0.4)	1.6	0.7
Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Payable	(0.1)	0.7	1.0	1.4	1.8	4.9	3.7	2.5	2.2	(0.7)	0.4	(2.0)	(0.9)
Accrued Expenses and other	0.0	0.4	0.9	1.1	1.4	3.9	3.0	2.0	1.7	(0.5)	0.4	(1.6)	(0.7)
Deferred Revenue	(0.1)	0.0	(0.1)	-	-	-	-	-	-	-	-	-	-
Deferred Rent	-	-	0.2	-	-	-	-	-	-	-	-	-	-
Other	-	-	(0.6)	-	-	-	-	-	-	-	-	-	-
Changes in Operating Assets/Liabilities	(0.4)	(0.4)	2.7	(0.1)	1.8	4.9	3.7	2.5	2.2	(0.7)	0.4	(2.0)	(0.9)
Operating Cash Flow	(15.5)	(30.3)	(54.4)	(77.3)	(107.9)	(40.4)	70.6	251.8	317.9	383.5	483.6	515.1	537.6
Capital Expenditures	(0.1)	(0.1)	(0.9)	(2.0)	(3.0)	(3.9)	(2.9)	(3.2)	(3.5)	(3.4)	(3.5)	(3.5)	(3.4)
Proceeds/Purchase of Securities	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	(0.4)	-	-	-	-	-	-	-	-	-	-
Investing Cash Flow	(0.1)	(0.1)	(1.3)	(2.0)	(3.0)	(3.9)	(2.9)	(3.2)	(3.5)	(3.4)	(3.5)	(3.5)	(3.4)
Issuance/Purchase of Stock	0.0	113.2	113.2	-	165.3	-	-	-	-	-	-	-	-
Issuance/Payment Convertible Notes	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds/Purchase of Preferred Stock	2.0	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds/Purchase of Convertible Preferred	7.5	72.4	-	-	-	-	-	-	-	-	-	-	-
Proceeds from the Exercise of Stock Options	-	0.3	-	-	-	-	-	-	-	-	-	-	-
Financing Cash Flow	9.5	185.9	113.2	-	165.3	-	-	-	-	-	-	-	-
Effect of Exchange Rates	-	-	-	-	-	-	-	-	-	-	-	-	-
Beginning Cash	6.5	0.4	156.0	213.4	134.1	188.6	144.3	212.0	460.6	775.1	1,155.1	1,635.2	2,146.8
Net Increase (Decrease) in Cash	(6.1)	155.6	57.5	(79.3)	54.4	(44.3)	67.7	248.6	314.4	380.0	480.1	511.6	534.1
Ending Cash	0.4	156.0	213.4	134.1	188.6	144.3	212.0	460.6	775.1	1,155.1	1,635.2	2,146.8	2,681.0

Sources: Oppenheimer Research Estimates, Karyopharm Filings.

Investment Thesis

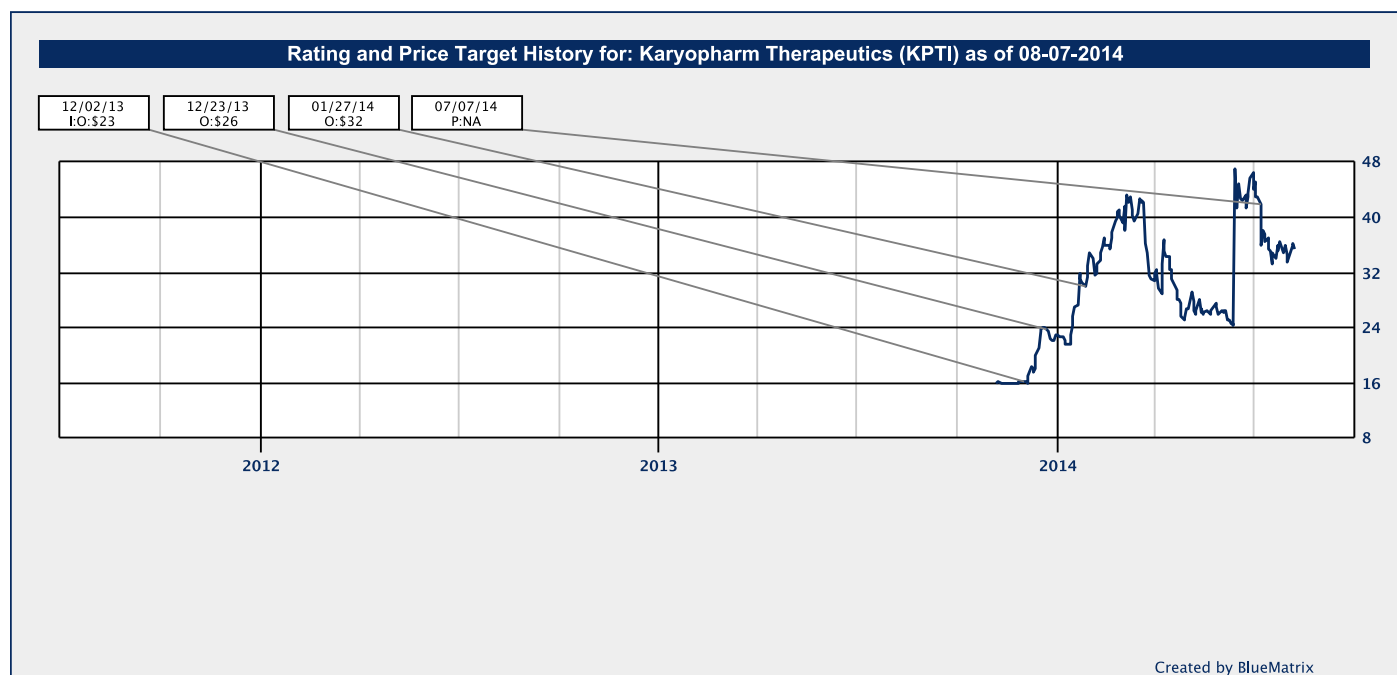
We believe Karyopharm shares are currently fairly valued. The emerging Phase 1 data for Karyopharm's lead drug Selinexor suggest to us fair-to-good chances of approval as a salvage therapy in several advanced cancers. We focus our work on myeloma, DLBCL, elderly AML and sarcoma, where we currently see the strongest efficacy data and where modest share and duration assumptions in the relapsed/refractory setting support the current valuation. We see room for upside if maturing Phase 1 data (and readouts from newly-initiated Phase 2 trials) can support: **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.

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Rating	Count	IB Serv/Past 12 Mos.		Count
		Percent	Percent	
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PERFORM [P]	281	46.52		98
UNDERPERFORM [U]	10	1.66		3
				30.00

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