

## Company Update

November 10, 2014

TICKER NASDAQ: KPTI  
RATING BUY  
PRICE TARGET \$54.00  
Price (November 07, 2014) \$43.30

## Karyopharm Therapeutics Inc.

### 3Q Earnings In-Line; Focus Remains on Upcoming Data at ASH

#### Market Data

Market Cap (M): \$1,342.0  
Shares out (M): 32.7  
Float (M): 13.1  
Daily Vol, 3 Mo Avg (M): 0.0  
52-Week Range: \$47.98-\$15.50  
Cash & Cash Eq (M): \$227.1  
Debt (M): \$0.0

#### Financial Metrics

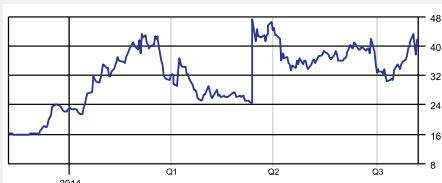
Short Interest (M): 0.0  
Instit. Holdings (%): 98.8%  
Cash Burn (M): \$(55.8)  
Short Interest (% of Float): 23.3%

| EPS  | 1Q     | 2Q     | 3Q     | 4Q     | FY     |
|------|--------|--------|--------|--------|--------|
| 2014 | -0.46A | -0.55A | -0.61A | -0.61E | -2.24E |
| 2015 | -0.62E | -0.62E | -0.64E | -0.64E | -2.53E |
| 2016 | —      | —      | —      | —      | -2.51E |

#### Revenue (\$M)

|      | 1Q   | 2Q   | 3Q   | 4Q   | FY   |
|------|------|------|------|------|------|
| 2014 | 0.2A | 0.0A | 0.0A | 0.0E | 0.2E |
| 2015 | 0.0E | 0.0E | 0.0E | 0.0E | 0.0E |
| 2016 | 0.0E | 0.0E | 0.0E | 0.0E | 0.0E |

#### 1-Year Price History



Created by BlueMatrix

This morning, KPTI announced EPS of (\$0.61) vs our (\$0.46) estimates largely on greater R&D expenses than we anticipated. Importantly, KPTI continues to simultaneously pursue multiple indications for lead drug candidate selinexor, and we look forward to full details from the aggressive NHL and MM clinical studies at ASH December 6-9. We reiterate our Buy rating and \$54 PT.

**Cash Sufficient Through 2H17.** KPTI ended the quarter with \$227.1 M in cash, up from \$132.3 M at June 30, 2014. The net increase was generated by a 2.8 M share offering in July at \$42.50 per share which netted \$112.9 M. KPTI expects to end the year with \$210 M in cash, and estimates that it has sufficient liquidity to fund operations through 2H17.

**ASH Updates in Aggressive Lymphoma and Multiple Myeloma (MM).** Last week, abstracts for the annual American Society for Hematology (ASH) meeting December 6-9 were released. In 10 relapsed/refractory MM patients with a median of 6 prior therapies, selinexor combined with dexamethasone resulted in an impressive 60% response rate (RR). While we look forward to an update of the response and durability data at ASH, we are encouraged at management commentary that several patients have remained on study greater than 6 months. In aggressive relapsed/refractory Non Hodgkin's Lymphoma (NHL), selinexor showed a dose response and a 40% RR in patients treated with 60 mg/m<sup>2</sup>. As the authors indicated time to best response was delayed, there is potential for additional conversion to responses.

#### Two Registration-Directed Trials Ongoing with Third to Commence by Year-End.

In June, KPTI's first registration-directed trial in relapsing acute myeloid patients (AML) over 60 years old commenced. Today, KPTI announced November initiation of registration-directed SIRRT trial in 50 relapsed Richter's Syndrome patients with RR as a primary endpoint. KPTI believes a 20% RR would be sufficient for approval, though further discussion with FDA is not planned until an interim analysis. By year-end, KPTI plans a third registration-directed trial in relapsed/refractory Diffuse Large B Cell Lymphoma (DLBCL) with the fourth in multiple myeloma slated to start by mid-2015. As KPTI estimates the first three trials will take approximately two years, selinexor remains on track for first regulatory approval in 2017.

**Upcoming Catalysts.** At the annual ASH meeting December 6-9, we expect full data from the MM and NHL clinical trials as well as preclinical selinexor and PAK4 inhibitor data. In 4Q14, we also expect initiation of registration-directed trials DLBCL followed by myeloma in 1H15. In early 2015, we also expect further clarity on a regulatory path forward in solid tumors. In mid 2015, we look forward to interim Phase 2 data from the solid tumor program including gynecologic cancers (SINE), glioblastoma multiforme (KING), metastatic prostate cancer (SHIP), squamous head and neck, lung and esophageal cancers (STARRS). Given the preclinical evidence, we think squamous lung cancer is an attractive target and look forward to clinical data.

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**VALUATION**

Our \$54 PT is based on a probability-adjusted sum of the parts analysis including AML, DLBCL, Richter's, myeloma, sarcoma, and ovarian cancers and \$6 cash.

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**INVESTMENT RISK**

Risks to our outlook include clinical and regulatory delays, commercialization risk, financing risk, and intellectual property risk.

**Karyopharm Therapeutics Inc. (KPTI) Probability Weighted Sum of the Parts Discounted Earnings Valuation (\$MM)**

| Drug                   | Peak Sales (\$ MM) | Stage | (Estimated) Launch | Probability of Reaching Market | Share       | Probability Adjusted NPV | Per Share Value |
|------------------------|--------------------|-------|--------------------|--------------------------------|-------------|--------------------------|-----------------|
| Hematologic Malignancy | \$1,548            |       | 2017               |                                | 100%        | \$1,551                  | \$41            |
| AML 60+ years old      | \$224              | 2     | 2017               | 40%                            | 100%        | \$197                    | \$5             |
| DLBCL                  | \$507              | 2     | 2017               | 45%                            | 100%        | \$554                    | \$15            |
| Myeloma                | \$651              | 2     | 2019               | 50%                            | 100%        | \$678                    | \$18            |
| Richter's Syndrome     | \$166              | 2     | 2017               | 50%                            | 100%        | \$122                    | \$3             |
| Solid Tumor            | \$446              |       | 2018               |                                | 100%        | \$267                    | \$7             |
| Sarcoma                | \$92               | 1     | 2018               | 25%                            | 100%        | \$35                     | \$1             |
| Ovarian                | \$353              | 2     | 2019               | 30%                            | 100%        | \$232                    | \$6             |
| <b>TOTAL</b>           | <b>\$1,994</b>     |       |                    |                                | <b>100%</b> | <b>\$1,818</b>           | <b>\$48</b>     |

**Cash**

|                 |       |     |
|-----------------|-------|-----|
| Cash (12/31/14) | \$213 | \$6 |
|-----------------|-------|-----|

Total firm value \$2,031

**Debt****Face (\$MM)**

|            |     |
|------------|-----|
| Total Debt | \$0 |
|------------|-----|

|                   |          |
|-------------------|----------|
| Discount Rate     | 10.0%    |
| Time of Valuation | 11/10/14 |

|                                 |         |
|---------------------------------|---------|
| Equity value                    | \$2,031 |
| Shares Outstanding YE 2032 (MM) | 37.9    |
| Equity value per share          | \$54    |

Note: Numbers may not add due to rounding  
 Sources: Company reports and MLV & Co. estimates.

| Karyopharm Therapeutics Inc. (KPTI)   | 2014E      |            |            |            |             | 2015E      |            |            |            |             |             |
|---------------------------------------|------------|------------|------------|------------|-------------|------------|------------|------------|------------|-------------|-------------|
| Income Statement (\$ MM)              | 1QA        | 2QA        | 3QA        | 4QE        | 2014E       | 1QE        | 2QE        | 3QE        | 4QE        | 2015E       | 2016E       |
| Contract and grant revenue            | 0.2        | 0.0        | 0.0        | 0.0        | 0.2         | 0.0        | 0.0        | 0.0        | 0.0        | 0.0         | 0.0         |
| Selinexor (KPT-330) AML revenue       | 0.0        | 0.0        | 0.0        | 0.0        | 0.0         | 0.0        | 0.0        | 0.0        | 0.0        | 0.0         | 0.0         |
| Selinexor (KPT-330) Richter's revenue | 0.0        | 0.0        | 0.0        | 0.0        | 0.0         | 0.0        | 0.0        | 0.0        | 0.0        | 0.0         | 0.0         |
| Selinexor (KPT-330) DLBCL revenue     | 0.0        | 0.0        | 0.0        | 0.0        | 0.0         | 0.0        | 0.0        | 0.0        | 0.0        | 0.0         | 0.0         |
| Selinexor (KPT-330) MM revenue        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0         | 0.0        | 0.0        | 0.0        | 0.0        | 0.0         | 0.0         |
| Selinexor (KPT-330) Sarcoma revenue   | 0.0        | 0.0        | 0.0        | 0.0        | 0.0         | 0.0        | 0.0        | 0.0        | 0.0        | 0.0         | 0.0         |
| Selinexor (KPT-330) Ovarian revenue   | 0.0        | 0.0        | 0.0        | 0.0        | 0.0         | 0.0        | 0.0        | 0.0        | 0.0        | 0.0         | 0.0         |
| Verdinexor (KPT-335) revenue          | 0.0        | 0.0        | 0.0        | 0.0        | 0.0         | 0.0        | 0.0        | 0.0        | 0.0        | 0.0         | 0.0         |
| KPT-350 revenue                       | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u>  | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u>  | <u>0.0</u>  |
| Total revenue                         | 0.2        | 0.0        | 0.0        | 0.0        | 0.2         | 0.0        | 0.0        | 0.0        | 0.0        | 0.0         | 0.0         |
| Cost of goods sold                    | 0.0        | 0.0        | 0.0        | 0.0        | 0.0         | 0.0        | 0.0        | 0.0        | 0.0        | 0.0         | 0.0         |
| Gross profit                          | 0.2        | 0.0        | 0.0        | 0.0        | 0.2         | 0.0        | 0.0        | 0.0        | 0.0        | 0.0         | 0.0         |
| R&D                                   | 11.0       | 13.2       | 16.0       | 16.1       | 56.1        | 16.5       | 16.5       | 17.0       | 16.9       | 66.9        | 61.6        |
| G&A                                   | <u>2.9</u> | <u>3.3</u> | <u>3.8</u> | <u>3.8</u> | <u>13.8</u> | <u>3.7</u> | <u>3.8</u> | <u>3.9</u> | <u>4.0</u> | <u>15.4</u> | <u>23.5</u> |
| Total operating expenses              | 13.9       | 16.5       | 19.8       | 19.9       | 70.0        | 20.2       | 20.3       | 20.9       | 20.9       | 82.3        | 85.1        |
| Operating Profit                      | (13.7)     | (16.4)     | (19.7)     | (19.9)     | (69.8)      | (20.2)     | (20.3)     | (20.9)     | (20.9)     | (82.3)      | (85.1)      |
| Other income (expense)                | 0.0        | 0.0        | 0.0        | 0.0        | 0.0         | 0.0        | 0.0        | 0.0        | 0.0        | 0.0         | 0.0         |
| Pre-tax profit                        | (13.7)     | (16.4)     | (19.7)     | (19.9)     | (69.7)      | (20.2)     | (20.3)     | (20.9)     | (20.9)     | (82.3)      | (85.1)      |
| Effective Tax Rate                    | 0.0%       | 0.0%       | 0.0%       | 0.0%       | 0.0%        | 0.0%       | 0.0%       | 0.0%       | 0.0%       | 0.0%        | 0.0%        |
| Tax                                   | 0.0        | 0.0        | 0.0        | 0.0        | 0.0         | 0.0        | 0.0        | 0.0        | 0.0        | 0.0         | 0.0         |
| Net Income                            | (13.7)     | (16.4)     | (19.7)     | (19.9)     | (69.7)      | (20.2)     | (20.3)     | (20.9)     | (20.9)     | (82.3)      | (85.1)      |
| EPS, diluted                          | \$ (0.46)  | \$ (0.55)  | \$ (0.61)  | \$ (0.61)  | \$ (2.24)   | \$ (0.62)  | \$ (0.62)  | \$ (0.64)  | \$ (0.64)  | \$ (2.52)   | \$ (2.50)   |
| Weighted average diluted shares (MM)  | 29.6       | 29.7       | 32.6       | 32.6       | 31.1        | 32.6       | 32.6       | 32.6       | 32.6       | 32.6        | 34.0        |
| Gross margin                          | 0.0%       | 0.0%       | 0.0%       | 0.0%       | 1.0%        | 0.0%       | 0.0%       | 0.0%       | 0.0%       | 0.0%        | 0.0%        |
| Operating margin                      | NM         | NM         | NM         | NM         | NM          | NM         | NM         | NM         | NM         | NM          | NM          |

Source: Company reports and MLV &amp; Co. estimates.

| Karyopharm Therapeutics Inc. (KPTI) | 2014E      |              |              |            |              | 2015E      |            |            |            |             |              |
|-------------------------------------|------------|--------------|--------------|------------|--------------|------------|------------|------------|------------|-------------|--------------|
| Cash Flow (\$ MM)                   | 1QA        | 2QA          | 3QA          | 4QE        | 2014E        | 1QE        | 2QE        | 3QE        | 4QE        | 2015E       | 2016E        |
| Operating profit                    | (13.7)     | (16.4)       | (19.7)       | (19.9)     | (69.8)       | (20.2)     | (20.3)     | (20.9)     | (20.9)     | (82.3)      | (85.1)       |
| D&A                                 | 0.0        | 0.0          | 0.1          | 0.1        | 0.3          | 0.1        | 0.2        | 0.2        | 0.2        | 0.6         | 0.7          |
| Stock-based compensation expense    | <u>2.8</u> | <u>3.9</u>   | <u>2.9</u>   | <u>4.0</u> | <u>13.6</u>  | <u>4.0</u> | <u>4.0</u> | <u>4.0</u> | <u>4.0</u> | <u>16.0</u> | <u>16.0</u>  |
| EBITDA                              | (10.8)     | (12.5)       | (16.7)       | (15.7)     | (55.8)       | (16.1)     | (16.1)     | (16.7)     | (16.7)     | (65.6)      | (68.4)       |
| Cash interest expense               | 0.0        | 0.0          | 0.0          | 0.0        | 0.0          | 0.0        | 0.0        | 0.0        | 0.0        | 0.0         | 0.0          |
| Cash tax expense                    | 0.0        | 0.0          | 0.0          | 0.0        | 0.0          | 0.0        | 0.0        | 0.0        | 0.0        | 0.0         | 0.0          |
| Accounts receivable                 | 0.0        | 0.0          | 0.0          | 0.0        | 0.0          | 0.0        | 0.0        | 0.0        | 0.0        | 0.0         | 0.0          |
| Inventory                           | 0.0        | 0.0          | 0.0          | 0.0        | 0.0          | 0.0        | 0.0        | 0.0        | 0.0        | 0.0         | 0.0          |
| Prepaid expense                     | (0.7)      | (0.3)        | (1.2)        | 0.5        | (1.7)        | (0.1)      | (0.0)      | (0.1)      | 0.0        | (0.2)       | (0.1)        |
| Accounts payable                    | 1.5        | 0.2          | (1.3)        | 2.3        | 2.7          | 0.1        | 0.0        | 0.1        | (0.0)      | 0.2         | (0.1)        |
| Accrued expense & other             | 0.4        | 0.2          | 2.0          | (1.3)      | 1.3          | 0.0        | 0.0        | 0.1        | (0.0)      | 0.1         | 0.0          |
| Deferred revenue                    | (0.0)      | 0.2          | (0.3)        | 0.0        | (0.1)        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0         | 0.0          |
| Other                               | (0.9)      | 0.3          | 1.4          | 0.0        | 0.7          | 0.0        | 0.0        | 0.0        | 0.0        | 0.0         | 0.0          |
| Cash from operations                | (10.6)     | (11.9)       | (16.2)       | (14.2)     | (52.8)       | (16.0)     | (16.1)     | (16.6)     | (16.7)     | (65.5)      | (68.6)       |
| Capital expenditures                | (0.1)      | (0.3)        | (2.3)        | (0.2)      | (2.9)        | (0.2)      | (0.2)      | (0.2)      | (0.2)      | (0.8)       | (1.5)        |
| Free cash flow                      | (10.7)     | (12.2)       | (18.5)       | (14.4)     | (55.8)       | (16.2)     | (16.3)     | (16.8)     | (16.9)     | (66.3)      | (70.1)       |
| Free cash flow per share            | (0.36)     | (0.41)       | (0.57)       | (0.44)     | (1.79)       | (0.50)     | (0.50)     | (0.52)     | (0.52)     | (2.03)      | (2.06)       |
| Cash from operations                | (10.6)     | (11.9)       | (16.2)       | (14.2)     | (52.8)       | (16.0)     | (16.1)     | (16.6)     | (16.7)     | (65.5)      | (68.6)       |
| Cash from investing                 | (0.5)      | (0.3)        | (2.3)        | (0.2)      | (3.3)        | (0.2)      | (0.2)      | (0.2)      | (0.2)      | (0.8)       | (1.5)        |
| Cash from financing                 | <u>0.0</u> | <u>(0.4)</u> | <u>113.3</u> | <u>0.0</u> | <u>113.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u>  | <u>111.6</u> |
| Net change in cash                  | (11.1)     | (12.6)       | 94.8         | (14.4)     | 56.8         | (16.2)     | (16.3)     | (16.8)     | (16.9)     | (66.3)      | 41.5         |
| Cash, beginning                     | 156.0      | 144.9        | 132.3        | 227.1      | 156.0        | 212.8      | 196.6      | 180.2      | 163.4      | 212.8       | 146.5        |
| Cash, ending                        | 144.9      | 132.3        | 227.1        | 212.8      | 212.8        | 196.6      | 180.2      | 163.4      | 146.5      | 146.5       | 188.0        |

Source: Company reports and MLV & Co. estimates.



| Karyopharm Therapeutics Inc. (KPTI)<br>Balance Sheet (\$ MM) | 2014E        |              |              |              |              | 2015E        |              |              |              |              | 2016E        |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|  | 1QA          | 2QA          | 3QA          | 4QE          | 2014E        | 1QE          | 2QE          | 3QE          | 4QE          | 2015E        |              |
| Cash   | 144.9        | 132.3        | 227.1        | 212.8        | 212.8        | 196.6        | 180.2        | 163.4        | 146.5        | 146.5        | 188.0        |
| Accounts receivable  | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Inventory  | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Prepaid expense & other                                      | <u>2.7</u>   | <u>3.0</u>   | <u>4.2</u>   | <u>3.7</u>   | <u>3.7</u>   | <u>3.7</u>   | <u>3.8</u>   | <u>3.9</u>   | <u>3.9</u>   | <u>3.9</u>   | <u>3.9</u>   |
| Current assets   | 147.6        | 135.3        | 231.3        | 216.4        | 216.4        | 200.3        | 184.0        | 167.3        | 150.4        | 150.4        | 191.9        |
| PP&E   | 0.3          | 0.6          | 2.7          | 2.8          | 2.8          | 2.8          | 2.9          | 2.9          | 2.9          | 2.9          | 3.8          |
| Deposits and other assets                                    | 1.0          | 1.4          | 0.7          | 0.7          | 0.7          | 0.7          | 0.7          | 0.7          | 0.7          | 0.7          | 0.7          |
| Restricted Cash  | 0.4          | 0.4          | 0.4          | 0.4          | 0.4          | 0.4          | 0.4          | 0.4          | 0.4          | 0.4          | 0.4          |
| <b>Total Assets</b>  | <b>149.3</b> | <b>137.7</b> | <b>235.2</b> | <b>220.3</b> | <b>220.3</b> | <b>204.2</b> | <b>188.0</b> | <b>171.3</b> | <b>154.4</b> | <b>154.4</b> | <b>196.8</b> |
| Accounts payable   | 3.3          | 3.5          | 2.1          | 4.4          | 4.4          | 4.5          | 4.5          | 4.7          | 4.7          | 4.7          | 4.5          |
| Accrued expense  | 1.6          | 2.0          | 3.6          | 2.3          | 2.3          | 2.4          | 2.4          | 2.4          | 2.4          | 2.4          | 2.5          |
| Deferred revenue   | 0.1          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Deferred rent  | 0.1          | 0.0          | 0.1          | 0.1          | 0.1          | 0.1          | 0.1          | 0.1          | 0.1          | 0.1          | 0.1          |
| Other  | <u>0.0</u>   | <u>0.1</u>   | <u>0.3</u>   | <u>0.3</u>   | <u>0.3</u>   | <u>0.3</u>   | <u>0.3</u>   | <u>0.3</u>   | <u>0.3</u>   | <u>0.3</u>   | <u>0.3</u>   |
| Current liabilities  | 5.0          | 5.6          | 6.2          | 7.2          | 7.2          | 7.4          | 7.4          | 7.6          | 7.6          | 7.6          | 7.5          |
| Deferred rent, long-term                                     | 0.0          | 0.2          | 1.1          | 1.1          | 1.1          | 1.1          | 1.1          | 1.1          | 1.1          | 1.1          | 1.1          |
| Other long-term liabilities                                  | 0.2          | 0.2          | 0.0          | 4.0          | 4.0          | 8.0          | 12.0         | 16.0         | 20.0         | 20.0         | 36.0         |
| <b>Total Liabilities</b>                                     | <b>5.2</b>   | <b>6.0</b>   | <b>7.4</b>   | <b>12.3</b>  | <b>12.3</b>  | <b>16.5</b>  | <b>20.5</b>  | <b>24.7</b>  | <b>28.7</b>  | <b>28.7</b>  | <b>44.6</b>  |
| <b>Shareholder's Equity</b>                                  | <b>144.1</b> | <b>131.7</b> | <b>227.8</b> | <b>208.0</b> | <b>208.0</b> | <b>187.8</b> | <b>167.5</b> | <b>146.6</b> | <b>125.7</b> | <b>125.7</b> | <b>152.2</b> |
| <b>Liabilities and Shareholder's Equity</b>                  | <b>149.3</b> | <b>137.7</b> | <b>235.2</b> | <b>220.3</b> | <b>220.3</b> | <b>204.2</b> | <b>188.0</b> | <b>171.3</b> | <b>154.4</b> | <b>154.4</b> | <b>196.8</b> |

Source: Company reports and MLV & Co. estimates.

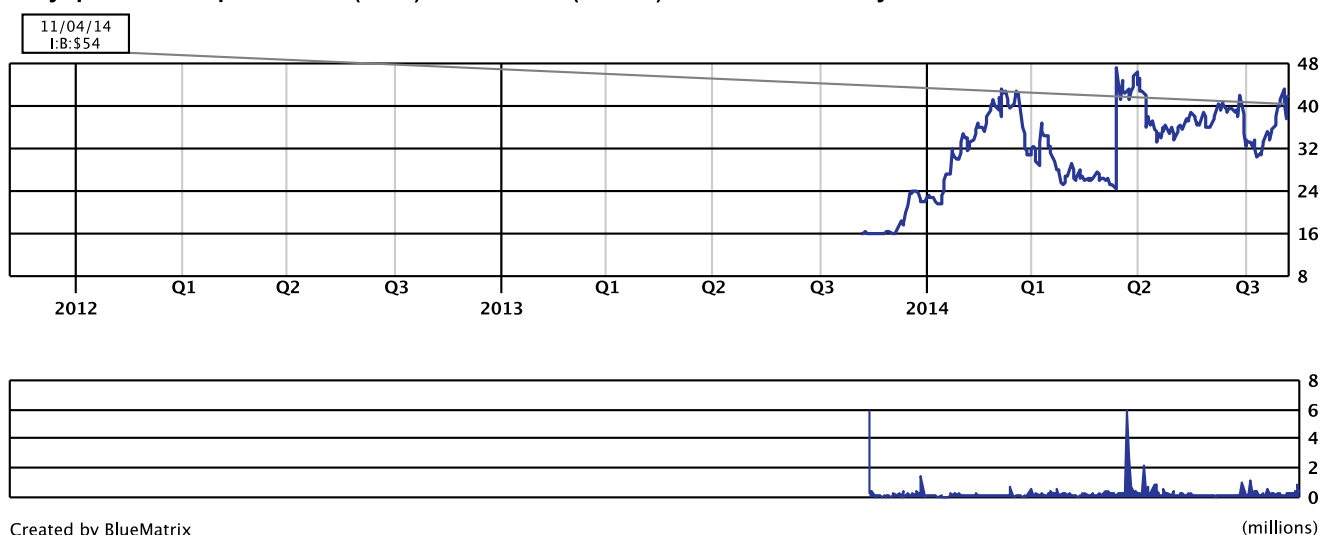
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**Karyopharm Therapeutics Inc. (KPTI): Share Price (in USD) and Volume History as of 11-07-2014****MLV RATING ALLOCATION (as of November 09, 2014)**

**BUY:** MLV projects that the subject company's stock price will increase in value by 20% or more in the next 12 months.

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| Rating | COMPANIES UNDER COVERAGE |         | INVESTMENT BANKING SERVICE WITHIN 12 MONTHS |         |
|--------|--------------------------|---------|---|---------|
|        | Count                    | Percent | Count                                       | Percent |
| BUY    | 107                      | 65.24%  | 48  | 29.27%  |
| HOLD   | 57                       | 34.76%  | 21  | 12.80%  |
| SELL   | 0                        | 0.00%   | 0   | 0.00%   |

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