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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2014

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number: 001-35403

Verastem, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**27-3269467**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
215 First Street, Suite 440 Cambridge, MA	
(Address of principal executive offices)	**02142** (Zip Code)

(617) 252-9300
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer ☒	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ☒

As of July 31, 2014 there were 25,842,328 shares of Common Stock, $0.0001 par value per share, outstanding.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements related to present facts or current conditions or historical facts, contained in this Quarterly Report on Form 10-Q, including statements regarding our strategy, future operations, future financial position, future revenues, projected costs, timeline for clinical development and regulatory approval of our compounds, the expected timing for the reporting of data from ongoing trials, prospects, plans and objectives of management, are forward looking statements. The words "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "predict," "project," "target," "potential," "will," "would," "could," "should," "continue" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

Forward-looking statements are not guarantees of future performance and our actual results could differ materially from the results discussed in the forward-looking statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, our ability to raise additional capital to support our clinical development program and other operations, our ability to develop products of commercial value and to identify, discover and obtain rights to additional product candidates, our ability to protect and maintain our intellectual property and the ability of our licensors to obtain and maintain patent protection for the technology or products that we license from them, the outcome of research and development activities, the fact that the preclinical and clinical testing of our compounds may not be predictive of the success of ongoing or later clinical trials, that data may not be available when we expect it to be, our reliance on third-parties, competitive developments, the effect of current and future legislation and regulation and regulatory actions, as well as other risks described in our Annual Report on Form 10-K and other filings with the Securities and Exchange Commission, or SEC.

As a result of these and other factors, we may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make. We do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

PART I—FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited).

Verastem, Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

(in thousands, except per share amounts)

	June 30, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 22,391	$ 18,889
Short-term investments	76,204	82,423
Restricted cash	86	86
Prepaid expenses and other current assets	877	557
Total current assets	99,558	101,955
Property and equipment, net	1,489	631
Long-term investments	5,757	22,344
Restricted cash	203	—
Other assets	335	331
Total assets	$ 107,342	$ 125,261
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 3,159	$ 2,760
Accrued expenses	4,165	4,327
Liability classified stock-based compensation awards	547	717
Total current liabilities	7,871	7,804
Other liabilities	292	11
Stockholders' equity:		
Convertible preferred stock, $0.0001 par value; 5,000 shares authorized; none issued and outstanding	—	—
Common stock, $0.0001 par value; 100,000 shares authorized; 25,722 and 25,328 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively	3	3
Additional paid-in capital	212,883	205,068
Accumulated other comprehensive income	29	28
Accumulated deficit	(113,736)	(87,653)
Total stockholders' equity	99,179	117,446
Total liabilities and stockholders' equity	$ 107,342	$ 125,261

See accompanying notes.

Verastem, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(unaudited)

(in thousands, except per share amounts)

	Three months ended, June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Operating expenses:				
Research and development	$ 8,305	$ 6,045	$ 16,716	$ 11,341
General and administrative	4,782	4,239	9,505	8,024
Total operating expenses	13,087	10,284	26,221	19,365
Loss from operations	(13,087)	(10,284)	(26,221)	(19,365)
Interest income	65	34	137	78
Net loss	$ (13,022)	$ (10,250)	$ (26,084)	$ (19,287)
Net loss per share—basic and diluted	$ (0.51)	$ (0.49)	$ (1.02)	$ (0.94)
Weighted-average number of common shares used in net loss per share—basic and diluted	25,669	20,729	25,574	20,607
Comprehensive loss	$ (13,015)	$ (10,271)	$ (26,083)	$ (19,312)

See accompanying notes.

Verastem, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands)

	Six months ended June 30,	
	2014	2013
Operating activities		
Net loss	$ (26,084)	$ (19,287)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	141	112
Amortization of premiums and discounts on available for sale marketable securities	152	—
Stock-based compensation expense	6,910	5,182
Common Stock issued to purchase technology rights	1,197	—
Changes in operating assets and liabilities:		
Prepaid expenses, other current assets and other assets	(324)	(630)
Accounts payable	(187)	186
Accrued expenses and other liabilities	373	1,781
Liability classified stock-based compensation award	(170)	—
Net cash used in operating activities	(17,992)	(12,656)
Investing activities		
Purchases of property and equipment	(412)	(31)
Purchases of investments	(26,640)	(44,209)
Maturities of investments	49,295	61,479
Increase in restricted cash	(203)	—
Net cash provided by investing activities	22,040	17,239
Financing activities		
Proceeds from the exercise of stock options	11	30
Cash used to settle restricted stock liability awards	(557)	(829)
Net cash used in financing activities	(546)	(799)
Increase in cash and cash equivalents	3,502	3,784
Cash and cash equivalents at beginning of period	18,889	10,096
Cash and cash equivalents at end of period	$ 22,391	$ 13,880

See accompanying notes.

Verastem, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies

Basis of presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial reporting and as required by Regulation S-X, Rule 10-01. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (including those which are normal and recurring) considered necessary for a fair presentation of the interim financial information have been included. When preparing financial statements in conformity with GAAP, the Company must make estimates and assumptions that affect the reported amounts and related disclosures at the date of the financial statements. Actual results could differ from those estimates. Additionally, operating results for the three and six months ended June 30, 2014 are not necessarily indicative of the results that may be expected for any other interim period or for the fiscal year ending December 31, 2014. For further information, refer to the financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 as filed with the Securities and Exchange Commission ("SEC") on March 6, 2014.

Recent Accounting Pronouncements

On June 10, 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-10, which simplifies financial reporting for development stage entities by eliminating requirements specific to development stage entities. As a result, entities in a development stage will no longer need to present inception-to-date information about income statement line items, cash flows, and equity transactions. Instead, the new guidance clarifies how these entities should tailor existing disclosures to explain the risks and uncertainties related to their activities. This update is effective for annual periods beginning after December 15, 2014, and early application is permitted for any annual or interim period for which the entity's financial statements have not yet been issued. The Company adopted this guidance prior to issuing the financial statements in this Q2 2014 Form 10-Q. The adoption of ASU 2014-10 impacted disclosure only and did not have any impact on financial position or results of operations.

There have been no changes to the Company's significant accounting policies included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 as filed with the Securities and Exchange Commission on March 6, 2014.

2. Fair value of financial instruments

The Company is required to disclose information on all assets and liabilities reported at fair value that enables an assessment of the inputs used in determining the reported fair values. The fair value hierarchy is now established that prioritizes valuation inputs based on the observable nature of those inputs. The fair value hierarchy applies only to the valuation inputs used in determining the reported

Verastem, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Fair value of financial instruments (Continued)

fair value of the investments and is not a measure of the investment credit quality. The hierarchy defines three levels of valuation inputs:

Level 1 inputs	Quoted prices in active markets for identical assets or liabilities
Level 2 inputs	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3 inputs	Unobservable inputs that reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability

The following table presents information about the Company's financial assets and liabilities that have been measured at fair value at June 30, 2014 and indicates the fair value hierarchy of the valuation inputs utilized to determine such fair value (in thousands).

Description	Total	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets				
Cash equivalents	$ 20,732	$ 14,732	$ 6,000	$ —
Short-term investments	76,204	—	76,204	—
Long-term investments	5,757	—	5,757	—
Total financial assets	**$ 102,693**	**$ 14,732**	**$ 87,961**	**$ —**
Financial liabilities				
Liability classified stock-based compensation awards	$ 547	$ 547	$ —	$ —
Total financial liabilities	**$ 547**	**$ 547**	**$ —**	**$ —**

The following table presents information about the Company's financial assets and liabilities that have been measured at fair value at December 31, 2013 and indicates the fair value hierarchy of the valuation inputs utilized to determine such fair value (in thousands).

Description	Total	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets				
Cash equivalents	$ 17,000	$ 17,000	$ —	$ —
Short-term investments	82,423	—	82,423	—
Long-term investments	22,344	—	22,344	—
Total financial assets	**$ 121,767**	**$ 17,000**	**$ 104,767**	**$ —**
Financial liabilities				
Liability classified stock-based compensation awards	$ 717	$ 717	$ —	$ —
Total financial liabilities	**$ 717**	**$ 717**	**$ —**	**$ —**

Verastem, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Fair value of financial instruments (Continued)

The Company's cash equivalents and investments are comprised of money market accounts, government-sponsored enterprise securities, corporate bonds and commercial paper of publicly traded companies. These investments have been initially valued at the transaction price and subsequently valued, at the end of each reporting period, utilizing third party pricing services or other market observable data. The pricing services utilize industry standard valuation models, including both income and market based approaches and observable market inputs to determine value. These observable market inputs include reportable trades, benchmark yields, credit spreads, broker/dealer quotes, bids, offers, current spot rates and other industry and economic events. The Company validates the prices provided by third party pricing services by reviewing their pricing methods and matrices, obtaining market values from other pricing sources, analyzing pricing data in certain instances and confirming that the relevant markets are active. After completing its validation procedures, the Company did not adjust or override any fair value measurements provided by the pricing services as of June 30, 2014.

The Company's liability classified stock-based compensation awards are comprised of restricted stock units (RSUs) that allow for greater than minimum statutory tax withholdings. These awards are valued based on the fair value of the Company's common stock underlying the awards, which is traded on an active market. During the first quarter of 2013, the Company amended the terms of certain RSUs to allow for cash tax withholdings greater than the minimum required statutory withholding amount. As a result of this change in the terms of the awards, the outstanding RSUs are considered to be liability instruments. As a result of this modification, the Company records a liability for the fair value of the awards as of each reporting date with the change in fair value recorded through the statement of operations. The Company will record stock-based compensation expense equal to the greater of the original grant date fair value of the awards or the settlement date fair value. During the three and the six months ended June 30, 2014, the Company paid approximately $58,000 and approximately $557,000, respectively, to settle the tax liability for awards that settled during the periods.

3. Investments

The Company's investments are classified as available-for-sale pursuant to Accounting Standards Codification (ASC) 320, *Investments—Debt and Equity Securities*. The Company classifies investments available to fund current operations as current assets on its balance sheets. Investments are classified as long-term assets on the balance sheets if (i) the Company has the intent and ability to hold the investments for a period of at least one year and (ii) the contractual maturity date of the investments is greater than one year.

Investments are carried at fair value with unrealized gains and losses included as a component of accumulated other comprehensive (loss) income, until such gains and losses are realized. If a decline in the fair value is considered other-than-temporary, based on available evidence, the unrealized loss is transferred from other comprehensive loss to the statement of operations. There were no charges taken for other-than-temporary declines in fair value of short-term or long-term investments during the three and six months ended June 30, 2014 and 2013. The Company recorded approximate unrealized gains and losses of $7,000, $1,000, $(21,000) and $(25,000) during the three and six months ended June 30, 2014 and 2013, respectively. Realized gains and losses are included in interest income in the statement of operations. There were no realized gains or losses recognized during the three and six months ended June 30, 2014 or 2013. The Company utilizes the specific identification method as a basis to determine the cost of securities sold.

Verastem, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Investments (Continued)

The Company reviews investments for other-than-temporary impairment whenever the fair value of an investment is less than the amortized cost and evidence indicates that an investment's carrying amount is not recoverable within a reasonable period of time. To determine whether an impairment is other-than-temporary, the Company considers the intent to sell, or whether it is more likely than not that the Company will be required to sell, the investment before recovery of the investment's amortized cost basis. Evidence considered in this assessment includes reasons for the impairment, compliance with the Company's investment policy, the severity and the duration of the impairment and changes in value subsequent to year end. As of June 30, 2014, there were no investments with a fair value that was significantly lower than the amortized cost basis or any investments that had been in an unrealized loss position for a significant period.

Cash, cash equivalents and investments at June 30, 2014 and December 31, 2013 consist of the following (in thousands):

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
June 30, 2014				
Cash and cash equivalents:				
Cash and money market accounts	$ 16,391	$ —	$ —	$ 16,391
Corporate commercial paper	6,000	—	—	6,000
Total cash and cash equivalents	$ 22,391	$ —	$ —	$ 22,391
Investments:				
Government-sponsored enterprise securities (due within 1 year)	$ 20,219	$ 8	$ —	$ 20,227
Corporate bonds (due within 1 year)	55,955	25	(3)	55,977
Corporate bonds (due within 1 - 2 years)	5,758	—	(1)	5,757
Total investments	$ 81,932	$ 33	$ (4)	$ 81,961
Total cash, cash equivalents, and investments	$ 104,323	$ 33	$ (4)	$ 104,352

Verastem, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Investments (Continued)

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
December 31, 2013				
Cash and cash equivalents:				
Cash and money market accounts	$ 18,889	$ —	$ —	$ 18,889
Total cash and cash equivalents	$ 18,889	$ —	$ —	$ 18,889
Investments:				
Government-sponsored enterprise securities (due within 1 year)	$ 30,652	$ 12	$ —	$ 30,664
Government-sponsored enterprise securities (due within 1 - 2 years)	4,001	2	—	4,003
Corporate bonds (due within 1 year)	51,735	30	(6)	51,759
Corporate bonds (due within 1 - 2 years)	18,351	2	(12)	18,341
Total investments	$ 104,739	$ 46	$ (18)	$ 104,767
Total cash, cash equivalents, and investments	$ 123,628	$ 46	$ (18)	$ 123,656

4. Accrued expenses

Accrued expenses consist of the following (in thousands):

	June 30, 2014	December 31, 2013
Contract research organization costs	$ 2,609	$ 1,918
Compensation and related benefits	969	1,687
Professional fees	275	237
License milestones	110	360
Deferred rent	72	38
Other	130	87
	$ 4,165	$ 4,327

5. Net loss per share

Basic and diluted net loss per common share is calculated by dividing net loss by the weighted-average number of common shares outstanding during the period, without consideration for common stock equivalents. The Company's potentially dilutive shares, which include outstanding stock options, restricted stock units and unvested restricted stock, are considered to be common stock equivalents and are only included in the calculation of diluted net loss per share when their effect is dilutive. All potentially dilutive securities were excluded from the calculation of diluted net loss per share as the

Verastem, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Net loss per share (Continued)

securities were anti-dilutive for all periods presented. The following potentially dilutive securities were excluded from the calculation of diluted net loss per share due to their anti-dilutive effect:

	Three months ended		Six months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Outstanding stock options	4,151	2,263	4,151	2,263
Unvested restricted stock	120	538	120	538
Unvested restricted stock units	394	623	394	623

6. Stock-based compensation

In December 2011, the Company adopted the 2012 Incentive Plan (the 2012 Plan). The 2012 Plan became effective upon the closing of the Company's IPO in February 2012. The 2012 Plan provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock awards, restricted stock units and other stock-based and cash awards. Upon effectiveness, the number of shares of common stock that are reserved under the 2012 Plan is the sum of 3,428,571 shares plus the number of shares available under the Company's prior 2010 Plan. The number of shares reserved under the 2012 Plan is increased by the number of shares of common stock (up to a maximum of 571,242 shares) subject to outstanding awards under the 2010 Plan that expire, terminate or are otherwise surrendered, cancelled, forfeited or repurchased. The 2012 Plan includes an "evergreen provision" that allows for an annual increase in the number of shares of common stock available for issuance under the 2012 Plan. The annual increase will be added on the first day of each year beginning in 2013 and each subsequent anniversary until the expiration of the 2012 Plan, equal to the lowest of 1,285,714 shares of common stock, 4.0% of the number of shares of common stock outstanding and an amount determined by the board of directors. On January 1, 2013 and 2014, the shares available under the 2012 Plan increased by 844,448 and 1,026,309 shares of common stock, respectively.

Restricted common stock

A summary of the Company's restricted common stock activity and related information is as follows:

	Shares	Weighted-average purchase price per share
Unvested at December 31, 2013	329,282	$ 0.034
Vested	(208,860)	0.022
Unvested at June 30, 2014	120,422	$ 0.056

No restricted common stock was granted during the three and six months ended June 30, 2014 and 2013. The total fair value of shares vested during the three and six months ended June 30, 2014 and 2013 was an approximate $556,000, $1.6 million, an approximate $706,000 and $1.5 million, respectively. As of June 30, 2014, there was an approximate $296,000 of total unrecognized stock-based

Verastem, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Stock-based compensation (Continued)

compensation expense related to unvested restricted common stock. The Company expects to recognize this expense over a remaining weighted average period of 0.3 years.

A summary of the Company's restricted stock units (RSUs) activity and related information is as follows:

	Shares	Weighted-average grant date fair value
Outstanding at December 31, 2013	529,850	$ 10.78
Settled	(131,798)	10.35
Forfeited	(4,284)	11.00
Outstanding at June 30, 2014	393,768	$ 10.92

No RSUs were granted during the three and six months ended June 30, 2014 and 2013. The total fair value of RSUs vested during the three and six months ended June 30, 2014 and 2013 was an approximate $125,000, $1.4 million, an approximate $122,000 and $2.3 million, respectively. As of June 30, 2014, there was $3.1 million of total unrecognized stock-based compensation expense related to unvested RSUs granted under the 2012 Plan. The Company expects to recognize this expense over a weighted average period of 1.6 years.

During the first quarter of 2013, the Company amended the terms of certain RSUs related to a total of 657,058 shares of common stock to allow for tax withholdings greater than the minimum required statutory withholding amount, of which 308,424 remain outstanding as of June 30, 2014. As a result of this change in the terms of the awards, the outstanding RSUs are considered to be liability instruments. As a result of this modification, the Company records a liability for the fair value of the awards as of each reporting date with the change in fair value recorded through the statement of operations. The Company will record stock-based compensation expense equal to the greater of the original grant date fair value of the awards or the settlement date fair value. During the three and six months ended June 30, 2014, the Company deposited with taxing authorities approximately $58,000 and approximately $557,000, respectively, in respect of the tax liability for awards that settled during the periods.

Verastem, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Stock-based compensation (Continued)

Stock options

A summary of the Company's stock option activity and related information follows:

	Shares	Weighted-average price per share	Weighted-average remaining contractual term (years)	Aggregate intrinsic value
Outstanding at December 31, 2013	2,388,062	$ 8.66		
Granted	1,802,167	12.72		
Exercised	(5,715)	1.93		
Forfeited	(33,546)	10.27		
Outstanding at June 30, 2014	4,151,058	$ 10.42	8.9	$ 2,669,825
Exercisable at June 30, 2014	1,225,970	$ 8.09	8.2	$ 1,882,694
Vested and expected to vest at June 30, 2014	3,837,817	$ 10.36	8.9	$ 2,648,704

The fair value of each stock option is estimated on the grant date using the Black-Scholes option-pricing model using the following weighted average assumptions:

	Six months ended June 30,	
	2014	2013
Risk-free interest rate	2.0%	1.1%
Dividend yield	—	—
Volatility	81%	75%
Expected term (years)	6.2	6.1

7. License agreements

Under the license agreement with Poniard Pharmaceuticals, Inc. ("Poniard") that the Company entered into in November 2011 relating to VS-4718 and certain other compounds, the Company paid an upfront license fee and agreed to pay Poniard milestone payments upon the achievement of specified development and regulatory milestones. In February 2014, the Company purchased the assets which were the subject of the license agreement with Poniard from Encarta, Inc. ("Encarta"), who had previously purchased these assets in 2013. In consideration for these assets, the Company issued to Encarta 97,500 shares of common stock, a warrant to purchase 142,857 shares of common stock with an exercise price equal to $17.16 per share and paid $25,000. All existing obligations under the license agreement, including an achieved development milestone and an obligation to issue a warrant, were settled as part of this transaction. The Company incurred $1.2 million of research and development expense in the first quarter of 2014 as a result of this transaction. As the warrant that was issued was consistent with the existing obligation to issue a warrant, there were no charges recorded as a result of issuing the warrant. In connection with the asset purchase agreement, the Company also assumed the rights and obligations under the license agreement by and between the Scripps Research Institute ("Scripps") and Poniard, or the Scripps License Agreement. Pursuant to the Scripps License Agreement, the Company is obligated to pay Scripps potential product development milestone

Verastem, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. License agreements (Continued)

payments of up to an aggregate of $3.0 million upon the achievement of specified development and regulatory milestones. In addition, the Company is obligated to pay Scripps low single-digit royalties as a percentage of net sales of licensed products, subject to adjustments in certain circumstances. The Company's obligation to pay royalties on net sales is on a country by country basis. The milestones and royalties payable to Scripps will be recorded as expense when the obligations are incurred.

8. Commitments and Contingencies

On April 15, 2014, the Company entered into a lease agreement for approximately 15,197 square feet of office and laboratory space in Needham, Massachusetts. The Company intends to use the leased premises as its corporate headquarters commencing in the third quarter of 2014. The lease term commenced on April 15, 2014. The Company must commence rent payments under the lease agreement on the earlier of: (i) December 1, 2014, or (ii) the first day in the calendar month after which the initial improvements to build out the leased space are substantially complete (the "Rent Commencement Date"). The lease term expires on the last day of the 60th full month following the Rent Commencement Date. The Company has agreed to pay an initial annual base rent of approximately $493,000, which base rent increases after every twelve-month period during the lease term to approximately $554,000 for the last twelve-month period. The Company is recording rent expense on a straight-line basis, beginning in April 2014. The Company also received a tenant improvement allowance of approximately $684,000 in connection with the lease. The Company has accounted for the allowance as a lease incentive, which is being recorded as a reduction to rent expense over the lease term. Deferred rent and lease incentive obligation are included in accrued expenses and other liabilities in the consolidated balance sheet. The Company has also agreed to pay its proportionate share of increases in operating expenses and property taxes for the building in which the leased space is located. The Company has provided a security deposit in the form of a letter of credit in the amount of approximately $203,000, which may be reduced to approximately $162,000 on April 15, 2016. The amount is included in restricted cash on the consolidated balance sheet.

9. Subsequent Events

The company reviews all activity subsequent to quarter end but prior to issuance of the condensed consolidated financial statements for events that could require disclosure or that could impact the carrying value of assets or liabilities as of the balance sheet date. During the period the Company did not have any material subsequent events.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and related notes appearing elsewhere in this quarterly report. The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of certain events could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those discussed below and elsewhere in this quarterly report or in our annual report on Form 10-K. Please also refer to the section under the heading "Forward-Looking Statements."

OVERVIEW

We are a biopharmaceutical company focused on discovering and developing drugs to treat cancer by the targeted killing of cancer stem cells. A cancer stem cell is a particularly aggressive type of tumor cell, resistant to conventional cancer therapy, that we believe is an underlying cause of tumors, their recurrence and metastasis. We have proprietary technology to create a stable population of cancer stem cells that we use to screen for and identify small molecule compounds that target cancer stem cells. Our most advanced programs target the Focal Adhesion Kinase, or FAK, and the PI3K/mTOR signaling pathways. Our lead FAK inhibitor, VS-6063, has been assigned defactinib as the United States Adopted Name. We have received orphan drug designation for use of VS-6063 in mesothelioma in the European Union and in the United States. VS-6063 is currently in a registration-directed trial (COMMAND) in patients with mesothelioma, a Phase 1/1b trial in combination with weekly paclitaxel for patients with ovarian cancer, a Phase 2 study in patients with non-small cell lung cancer and a "Window of Opportunity" trial preceding surgery in mesothelioma. In addition to VS-6063, both our FAK inhibitor VS-4718 and our dual mTORC1/2 and PI3K inhibitor VS-5584 are in Phase 1 clinical trials in patients with advanced cancers.

Our operations to date have been organizing and staffing our company, business planning, raising capital, acquiring and developing our technology, identifying potential product candidates and undertaking preclinical studies and clinical trials for our product candidates. To date, we have not generated any revenues and have financed our operations with net proceeds from the private placement of our preferred stock, our initial public offering in February 2012 and our follow-on offering in July 2013.

As of June 30, 2014, we had an accumulated deficit of $113.7 million. We had net losses of $26.1 million and $19.3 million for the six months ended June 30, 2014 and 2013, respectively. We expect our expenses to increase in connection with our ongoing activities, particularly as we continue the research and development and clinical trials of, and potentially seek marketing approval for, our product candidates. In addition, if we obtain marketing approval for any of our product candidates, we expect to incur significant commercialization expenses related to product sales, marketing, manufacturing and distribution. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. Adequate additional financing may not be available to us on acceptable terms, or at all. If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce or eliminate our research and development programs or any future commercialization efforts. We will need to generate significant revenues to achieve profitability, and we may never do so.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGMENTS AND ESTIMATES

We believe that several accounting policies are important to understanding our historical and future performance. We refer to these policies as "critical" because these specific areas generally require us to make judgments and estimates about matters that are uncertain at the time we make the

estimate, and different estimates—which also would have been reasonable—could have been used, which would have resulted in different financial results.

The critical accounting policies we identified in our most recent Annual Report on Form 10-K for the fiscal year ended December 31, 2013 related to accrued research and development expenses and stock-based compensation. There were no changes to these critical accounting policies in the three and six months ended June 30, 2014. It is important that the discussion of our operating results that follows be read in conjunction with the critical accounting policies disclosed in our Annual Report on Form 10-K, as filed with the SEC on March 6, 2014.

The Company has elected to follow the extended transition period guidance provided for in Section 7(a)(2)(B) of the Securities Act of 1933, as amended, for complying with new or revised accounting standards. The Company will disclose the date on which adoption of such standards is required for non-emerging growth companies and the date on which the Company will adopt the recently issued accounting standards.

RESULTS OF OPERATIONS

Comparison of the Three Months ended June 30, 2014 and June 30, 2013

Research and development expense. Research and development expense for the three months ended June 30, 2014 (2014 Quarter) was $8.3 million compared to $6.0 million for the three months ended June 30, 2013 (2013 Quarter). The $2.3 million increase from the 2013 Quarter to the 2014 Quarter was primarily related to an increase of $1.9 million in contract research organization expense for outsourced biology, chemistry, development and clinical services, which includes our clinical trial costs, an approximate $302,000 increase in personnel costs primarily due to increased headcount and an approximate $126,000 increase in consulting fees.

The table below summarizes our allocation of research and development expenses to our clinical programs for VS-6063, VS-4718 and VS-5584, for the three months ended June 30, 2014. Prior to 2014, we did not track research and development expenses for specific clinical programs. Our project costing methodology does not allocate personnel and other indirect costs to specific clinical programs. These unallocated research and development expenses are summarized in the table below and include $1.4 million of personnel costs.

	Three months ended June 30, 2014 (in thousands)
VS-6063	$ 4,154
VS-4718	325
VS-5584	686
Unallocated research and development expense	2,176
Unallocated stock-based compensation expense	964
Total research and development expense	$ 8,305

Due to the uncertainty in drug development and the stage of development of our clinical programs, we are unable to predict the requirements, specific timing and estimated costs to complete the development of our product candidates or the timing of when material cash inflows may commence, if ever.

General and administrative expense. General and administrative expense for the 2014 Quarter was $4.8 million compared to $4.2 million for the 2013 Quarter. The approximately $600,000 increase from the 2013 Quarter to the 2014 Quarter primarily resulted from an increase of approximately $529,000 in stock-based compensation expense, an increase in consulting fees of approximately $438,000, an

increase of approximately $318,000 in personnel costs and an increase in travel and other costs of approximately $169,000. These increases were partially offset by a decrease in professional fees and other costs of approximately $701,000 and an approximate $210,000 decrease in corporate franchise taxes.

Interest income. Interest income increased to approximately $65,000 for the 2014 Quarter from approximately $34,000 for the 2013 Quarter. This increase was primarily due to a higher average investment balance for the 2014 Quarter compared to the 2013 Quarter.

Comparison of the Six Months ended June 30, 2014 and June 30, 2013

Research and development expense. Research and development expense for the six months ended June 30, 2014 (2014 Period) was $16.7 million compared to $11.3 million for the six months ended June 30, 2013 (2013 Period). The $5.4 million increase from the 2013 Period to the 2014 Period was primarily related to an increase of $3.3 million in contract research organization expense for outsourced biology, chemistry, development and clinical services, which includes our clinical trial costs, a $1.2 million increase in license fees related to the Encarta asset purchase, an approximate $501,000 increase in personnel costs primarily due to increased headcount and an approximate $380,000 increase in stock-based compensation expense.

The table below summarizes our allocation of research and development expenses to our clinical programs for VS-6063, VS-4718 and VS-5584, for the six months ended June 30, 2014. Prior to 2014, we did not track research and development expenses for specific clinical programs. Our project costing methodology does not allocate personnel and other indirect costs to specific clinical programs. These unallocated research and development expenses are summarized in the table below and include $2.6 million of personnel costs.

	Six months ended June 30, 2014 (in thousands)
VS-6063	$ 7,039
VS-4718	1,778
VS-5584	1,190
Unallocated research and development expense	4,529
Unallocated stock-based compensation expense	2,180
Total research and development expense	$ 16,716

Due to the uncertainty in drug development and the stage of development of our clinical programs, we are unable to predict the requirements, specific timing and estimated costs to complete the development of our product candidates or the timing of when material cash inflows may commence, if ever.

General and administrative expense. General and administrative expense for the 2014 Period was $9.5 million compared to $8.0 million for the 2013 Period. The $1.5 million increase from the 2013 Period to the 2014 Period primarily resulted from an increase of $1.2 million in stock-based compensation expense, an increase in consulting fees of approximately $588,000, an increase of approximately $533,000 in personnel costs and approximately $252,000 of travel and other costs. These increases were offset by a decrease in professional fees and other costs of approximately $887,000 and an approximate decrease in corporate franchise taxes of $181,000.

Interest income. Interest income increased to approximately $137,000 for the 2014 Period from approximately $78,000 for the 2013 Period. This increase was primarily due to a higher average investment balance for the 2014 Period compared to the 2013 Period.

LIQUIDITY AND CAPITAL RESOURCES

Sources of liquidity

To date, we have not generated any revenues. Since our inception in August 2010, we have financed our operations principally through private placements, our initial public offering in February 2012 and our follow-on offering in July 2013. As of June 30, 2014, we had received $68.1 million in net proceeds from the issuance of preferred stock and $116.6 million in net proceeds from our public offerings. As of June 30, 2014, we had $104.4 million in cash, cash equivalents and investments. We primarily invest our cash, cash equivalents and investments in a U.S. Treasury money market fund, government-sponsored enterprise securities, corporate bonds and commercial paper.

Cash flows

Operating activities. The use of cash in all periods resulted primarily from our net losses adjusted for non-cash charges and changes in the components of working capital. The $5.3 million increase in cash used in operating activities for the 2014 Period compared to the 2013 Period is primarily due to a $3.8 million increase in research and development expenses related to our ongoing clinical trials and development of our lead product candidates and a $1.4 million decrease in accrued expenses.

Investing activities. The cash provided by investing activities for the 2014 and 2013 Periods primarily reflects the net maturities of investments of $22.7 million and $17.3 million, respectively.

Financing activities. The cash used in financing activities for the 2014 and 2013 Periods primarily reflects approximately $557,000 and approximately $829,000, respectively, used to satisfy the tax withholding obligations on certain restricted stock units that were net settled by employees.

Funding requirements

We have three product candidates currently in clinical trials. We expect to continue to incur significant expenses and increasing operating losses for the foreseeable future. We anticipate that our expenses will increase substantially if and as we:

- continue our research, preclinical and clinical development of our product candidates, including the registration-directed trial of VS-6063 in mesothelioma;
- initiate additional clinical trials for our product candidates;
- seek marketing approvals for any of our product candidates that successfully complete clinical trials;
- ultimately establish a sales, marketing and distribution infrastructure to commercialize any products for which we may obtain marketing approval;
- maintain, expand and protect our intellectual property portfolio;
- acquire or in-license other products and technologies;
- hire additional clinical, development and scientific personnel; and
- add operational, financial and management information systems and personnel, including personnel to support our product development and planned future commercialization efforts.

We expect our existing cash, cash equivalents and investments will enable us to fund our current operating plan and capital expenditure requirements into the first half of 2016. We have based this estimate on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect. Because of the numerous risks and uncertainties associated with the development and commercialization of our product candidates, and the extent to which we may enter

into collaborations with third parties for development and commercialization of our product candidates, we are unable to estimate the amounts of increased capital outlays and operating expenses associated with completing the development of our current product candidates. Our future capital requirements will depend on many factors, including:

- the rate of progress, results and costs of completing of the registration-directed trial of VS-6063 in mesothelioma;
- assuming favorable clinical results, the cost, timing and outcome of our efforts to seek approval of VS-6063 in mesothelioma in the United States and elsewhere in the world, including to fund the preparation and filing of regulatory submissions with the FDA and other regulatory agencies worldwide;
- the scope, progress and, results of our other ongoing and potential future clinical trials;
- the extent to which we acquire or in-license other products and technologies;
- the costs, timing and outcome of regulatory review of our product candidates;
- the costs of future commercialization activities, including product sales, marketing, manufacturing and distribution, for any of our product candidates for which we receive marketing approval;
- revenue, if any, received from commercial sales of our product candidates, should any of our product candidates receive marketing approval;
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims; and
- our ability to establish collaborations on favorable terms, if at all.

Until such time, if ever, as we can generate substantial product revenues, we expect to finance our cash needs through a combination of equity offerings, debt financings, collaborations, strategic alliances and licensing arrangements. We do not have any committed external source of funds. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our existing stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our existing stockholders. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional funds through collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

CONTRACTUAL OBLIGATIONS

There have been no material changes to the contractual obligations set forth in our Annual Report on Form 10-K for the year ended December 31, 2013, except that on April 15, 2014, we entered into a lease agreement for approximately 15,197 square feet of office and laboratory space in Needham, Massachusetts. We intend to use the leased premises as our corporate headquarters commencing in the third quarter of 2014. The lease term commenced on April 15, 2014. We must commence rent payments under the lease agreement on the earlier of: (i) December 1, 2014, or (ii) the first day in calendar month after which the initial improvements to build out the leased space are substantially

complete (the "Rent Commencement Date"). The lease term expires on the last day of the 60th full month following the Rent Commencement Date. We have agreed to pay an initial annual base rent of approximately $493,000, which base rent increases after every twelve-month period during the lease term to approximately $554,000 for the last twelve-month period. We have also agreed to pay our proportionate share of increases in operating expenses and property taxes for the building in which the leased space is located. We have provided a security deposit in the form of a letter of credit in the amount of approximately $203,000, which may be reduced to approximately $162,000 on April 15, 2016. The letter of credit is cash collateralized.

Under the terms of the lease, the landlord will provide a tenant improvement allowance in the amount of approximately $684,000 toward the cost of initial improvements. As of June 30, 2014, the Company has recorded approximately $994,000 of leasehold improvements, $265,000 of which is reimbursable by the landlord.

OFF-BALANCE SHEET ARRANGEMENTS

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined under Securities and Exchange Commission rules.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We had cash, cash equivalents and investments of $104.4 million as of June 30, 2014, consisting of cash, U.S. Treasury money market fund, government-sponsored enterprise securities, corporate bonds and commercial paper. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because most of our investments are interest-bearing. Our available-for-sale securities are subject to interest rate risk and will fall in value if market interest rates increase. Due to the short-term duration of most of our investment portfolio and the low risk profile of our investments, an immediate 100 basis point change in interest rates would not have a material effect on the fair market value of our portfolio. We contract with CROs and contract manufacturers globally. We may be subject to fluctuations in foreign currency rates in connection with these agreements. Transactions denominated in currencies other than our functional currency are recorded based on exchange rates at the time such transactions arise. As of June 30, 2014, $1.6 million of our total liabilities were denominated in currencies other than our functional currency.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2014. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934 (the "Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2014, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

No change in our internal control over financial reporting occurred during the fiscal quarter ended June 30, 2014 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

You should carefully review and consider the information regarding certain factors that could materially affect our business, financial condition or future results set forth under Item 1A. (Risk Factors) in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013. There have been no material changes from the factors disclosed in our 2013 Annual Report on Form 10-K, although we may disclose changes to such factors or disclose additional factors from time to time in our future filings with the Securities and Exchange Commission.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

RECENT SALES OF UNREGISTERED SECURITIES

None.

PURCHASE OF EQUITY SECURITIES

We did not purchase any of our registered equity securities during the period covered by this Quarterly Report on Form 10-Q.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

The following disclosure is provided in accordance with and in satisfaction of the requirements of Item 2.02 "*Results of Operations and Financial Condition*" of Form 8-K:

On August 7, 2014, Verastem, Inc. announced its financial results for the quarter ended June 30, 2014 and commented on certain corporate accomplishments and plans. The full text of the press release issued in connection with the announcement is furnished as Exhibit 99.1 hereto.

The information furnished in Item 5 (including Exhibit 99.1) shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 6. Exhibits.

The exhibits filed as part of this Quarterly Report on Form 10-Q are set forth on the Exhibit Index, which Exhibit Index is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VERASTEM, INC.

Date: August 7, 2014

By: /s/ ROBERT FORRESTER

Robert Forrester
President and Chief Executive Officer
(Principal executive officer)

Date: August 7, 2014

By: /s/ JOHN B. GREEN

John B. Green
Chief Financial Officer
(Principal financial and accounting officer)

EXHIBIT INDEX

31.1	Certification of Chief Executive Officer pursuant to Rules 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Chief Financial Officer pursuant to Rules 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
99.1	Press Release issued by Verastem, Inc. on August 7, 2014 (furnished herewith).
101.INS†	XBRL Instance Document
101.SCH†	XBRL Taxonomy Extension Schema Document
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF†	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB†	XBRL Taxonomy Extension Label Linkbase Document

† Submitted electronically herewith.

Exhibit 31.1

CERTIFICATIONS

I, Robert Forrester, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Verastem, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ ROBERT FORRESTER

Robert Forrester
President and Chief Executive Officer

Date: August 7, 2014

Exhibit 31.2

CERTIFICATIONS

I, John B. Green, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Verastem, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JOHN B. GREEN

John B. Green
Chief Financial Officer

Date: August 7, 2014

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Verastem, Inc. (the "Company") for the period ended June 30, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ROBERT FORRESTER

Robert Forrester
President and Chief Executive Officer

Date: August 7, 2014

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Verastem, Inc. (the "Company") for the period ended June 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, John B. Green, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JOHN B. GREEN

John B. Green
Chief Financial Officer

Date: August 7, 2014

Verastem Reports Second Quarter 2014 Financial and Corporate Results

CAMBRIDGE, MA — August 7, 2014 — Verastem, Inc. (NASDAQ: VSTM), focused on discovering and developing drugs to treat cancer by the targeted killing of cancer stem cells, reported financial results for the second quarter ended June 30, 2014, and also provided an overview of certain corporate accomplishments and plans.

"We ended the second quarter with a cash, cash equivalents and investments balance of $104.4 million which we expect will fund our clinical programs into the first half of 2016," said Robert Forrester, President and Chief Executive Officer of Verastem. "By targeting cancer stem cells, we want to change the way that cancer is treated. Through diligent execution by our research and development team, we continue to advance our portfolio of cancer stem cell targeting agents through clinical development."

"We continue to see encouraging clinical signals from the VS-6063 program, including reductions in markers of cancer stem cells, prolonged disease stabilization and objective responses in the ongoing Phase 1/1b combination study of VS-6063 and paclitaxel in patients with ovarian cancer," said Dr. Joanna Horobin, Chief Medical Officer of Verastem. "Our registration-directed COMMAND study for patients with mesothelioma is progressing well and is now up and running in 12 countries. The planned interim analysis of COMMAND remains on track for midyear 2015."

Verastem has multiple ongoing trials targeting cancer stem cells including the COMMAND study which is evaluating VS-6063, the Company's lead focal adhesion kinase (FAK) inhibitor, in patients with malignant pleural mesothelioma. Mesothelioma is an aggressive form of lung cancer believed to be driven by cancer stem cells, which are an underlying cause of resistance to anticancer therapies, disease recurrence and metastasis. The incidence of mesothelioma is growing worldwide and the survival rate for these patients is very poor.

Q2 2014 AND RECENT HIGHLIGHTS:

Mesothelioma

- COMMAND (Control Of Mesothelioma with MAinteNance Defactinib) Study
  - Registration-directed, randomized, double-blind, placebo-controlled study of VS-6063 immediately following frontline therapy in patients with malignant pleural mesothelioma
  - With the addition of Japanese sites, we are pursuing simultaneous development in the US, EU, Japan, Australia and other regions of mesothelioma incidence
  - COMMAND is now open in 12 countries worldwide
  - An interim analysis is expected midyear 2015
- "Window of Opportunity" study
  - Single agent treatment with VS-6063 for 12 days in patients with malignant pleural mesothelioma prior to surgery

Ovarian Cancer

- Phase 1/1b study of VS-6063 in combination with weekly paclitaxel

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  - Presented interim data at the American Society of Clinical Oncology (ASCO) 2014 and a clinical update at the Company's Research and Development Day
    - Interesting signs of early clinical activity; 64% best response of stable disease or better including two complete responses and three partial responses in the ongoing study
    - Combination therapy was generally well-tolerated with no dose limiting toxicities
    - Treatment with VS-6063 as a single agent for 10 days decreased both FAK activity and cancer stem cells in patient biopsies

Third Annual Research and Development Day

- Members of the Verastem leadership team, along with a panel of experts, provided in-depth reviews of the Company's development programs targeting cancer stem cells with a focus on lead candidate, VS-6063
- A replay of the webcast can be accessed here or by visiting the Verastem website

Analyst Event at ASCO 2014

- Provided a scientific update on the COMMAND study and discussed the rationale for targeting cancer stem cells in mesothelioma
- A replay of the event webcast can be accessed here or by visiting the Verastem website

Increased the Understanding of Cancer Stem Cell Biology

- Presented posters at the ASCO Annual Meeting. In addition to the interim data that were presented for the ongoing trial of VS-6063 in combination with paclitaxel in patients with ovarian cancer, Verastem presented posters describing the trial designs for two of the Company's other ongoing clinical trials: one for the registration-directed COMMAND study of VS-6063 for patients with malignant pleural mesothelioma, and the other for the study of VS-6063 for patients with non-small cell lung cancer. The posters presented at ASCO can be accessed here.

- Presented research results at the 2014 American Academy of Cancer Research (AACR) Annual Meeting. The presented data expanded understanding of the mechanisms of VS-6063, VS-4718 and VS-5584 and their ability to target cancer stem cells. The data also highlighted VS-6063's inhibitory effect on focal adhesion kinase family members FAK and PYK2 leading to the preferential targeting of cancer stem cells both directly and through inhibition of tumor-associated macrophages in the tumor microenvironment. Published research studies in both mesothelioma and breast cancer have demonstrated a correlation between an increase in tumor-associated macrophages and poor prognosis in these patients. The posters presented at AACR can be accessed here.

Strengthened Leadership Team and Intellectual Property Portfolio

- Appointed industry veteran Paul A. Friedman, M.D. to the Verastem Board of Directors. Dr. Friedman previously served as Chief Executive Officer of Incyte Corporation, where he oversaw the development and commercialization of Jakafi®. During his career, he also served in

leadership positions at DuPont Pharmaceuticals and Merck Research Laboratories and was involved in the discovery and/or development of a number of successful pharmaceutical products, including Aggrastat®, Trusopt®, Crixivan®, Sustiva®, Pedvax®, Pneumovax®, Vaqta®, Varivax® Cozaar®/Hyzaar® and Fosamax®. Dr. Friedman earned his M.D. from Harvard Medical School where he then became an Associate Professor of Medicine and Pharmacology and was a practicing physician at New York-Presbyterian Hospital, College of Physicians and Surgeons.

- Granted US Patent No. 8,754,080 and European Patent No. 2,414,362 titled "Pyrimidine Substituted Purine Compounds As Kinase(s) Inhibitors" that cover the composition of matter for VS-5584 and its ability to inhibit and regulate cellular metabolism, growth, and proliferation.

SECOND QUARTER 2014 FINANCIAL RESULTS

As of June 30, 2014, Verastem had cash, cash equivalents and investments of $104.4 million compared to $123.7 million on December 31, 2013. Verastem used $8.7 million for operating activities in the second quarter ended June 30, 2014 (the "2014 Quarter").

Net loss for the 2014 Quarter was $13.0 million, or $0.51 per share, as compared to net loss of $10.3 million, or $0.49 per share, for the same period in 2013 (the "2013 Quarter"). Net loss includes stock-based compensation expense of $3.2 million and $2.7 million for the 2014 Quarter and 2013 Quarter, respectively.

Research and development expense for the three months ended June 30, 2014 (2014 Quarter) was $8.3 million compared to $6.0 million for the three months ended June 30, 2013 (2013 Quarter). The $2.3 million increase from the 2013 Quarter to the 2014 Quarter was primarily related to an increase of $1.9 million in contract research organization expense for outsourced biology, chemistry, development and clinical services, which includes our clinical trial costs, an approximate $302,000 increase in personnel costs primarily due to increased headcount and approximately $126,000 increase in consulting fees.

General and administrative expense for the 2014 Quarter was $4.8 million compared to $4.2 million for the 2013 Quarter. The approximately $600,000 increase from the 2013 Quarter to the 2014 Quarter primarily resulted from an increase of approximately $529,000 in stock-based compensation expense, an increase in consulting fees of approximately $438,000, an increase of approximately $318,000 in personnel costs and an increase in travel and other costs of approximately $169,000. These increases were partially offset by a decrease in professional fees and other costs of approximately $701,000 and an approximate $210,000 decrease in corporate franchise taxes.

The number of outstanding common shares as of June 30, 2014, was 25,842,328.

Financial Guidance

Based on current operating plans, we expect to have sufficient cash, cash equivalents and investments to fund our research and development programs and operations into the first half of 2016.

About VS-6063

VS-6063 (defactinib) is an orally available compound designed to target cancer stem cells through the potent inhibition of focal adhesion kinase (FAK). Cancer stem cells are an underlying cause of tumor resistance to chemotherapy, recurrence and ultimate disease progression. Research by Robert

Weinberg, Ph.D., scientific cofounder and chair of Verastem's Scientific Advisory Board, and Verastem has demonstrated that FAK activity is critical for the growth and survival of cancer stem cells. VS-6063 is currently being studied in the registration-directed COMMAND trial in mesothelioma (www.COMMANDmeso.com), a "Window of Opportunity" study in patients with mesothelioma prior to surgery, a Phase 1/1b study in combination with paclitaxel in patients with ovarian cancer, and a trial in patients with Kras-mutated non-small cell lung cancer. VS-6063 has been granted orphan drug designation in the U.S. and EU for use in mesothelioma.

About VS-4718

VS-4718 is an orally available compound designed to target cancer stem cells through the potent inhibition of focal adhesion kinase (FAK). VS-4718 is currently being studied in a Phase 1 dose escalation study in patients with advanced cancers.

About VS-5584

VS-5584 is an orally available compound that has demonstrated potent and highly selective activity against class 1 PI3K enzymes and dual inhibitory actions against mTORC1 and mTORC2. In preclinical studies, VS-5584 has been shown to reduce the percentage of cancer stem cells and induce tumor regression in chemotherapy-resistant models. Verastem is currently conducting a Phase 1 dose escalation trial of VS-5584 in patients with advanced solid tumors and lymphomas.

About COMMAND

COMMAND is a registration-directed, double-blind, placebo-controlled trial of VS-6063 in patients with malignant pleural mesothelioma. The primary endpoints of COMMAND are progression free survival (PFS) and overall survival (OS). VS-6063 targets cancer stem cells which are an underlying cause of tumor progression and recurrence. The design of COMMAND allows the opportunity to enrich for patients with tumors low in the biomarker, merlin. Preclinical and early clinical research has demonstrated that low merlin levels may be predictive of increased effectiveness of FAK inhibitors such as VS-6063. The COMMAND study stratifies patients to evaluate the effect of VS-6063 in both the overall patient population and the subgroup of patients whose tumors are low in merlin.

COMMAND is expected to enroll approximately 350-400 patients at clinical sites in 12 countries, including the US, UK, Japan, Australia, Canada, South Africa, New Zealand and countries in mainland Europe. Eligible patients who had a partial response or stable disease following standard first-line therapy with platinum/pemetrexed will be stratified to merlin low or high and then randomized to receive either placebo or 400 mg of defactinib. For more information visit www.COMMANDmeso.com.

About Verastem, Inc.

Verastem, Inc. (NASDAQ:VSTM) is discovering and developing drugs to treat cancer by the targeted killing of cancer stem cells. Cancer stem cells are an underlying cause of tumor recurrence and metastasis. Verastem is developing small molecule inhibitors of signaling pathways that are critical to cancer stem cell survival and proliferation: FAK, PI3K/mTOR and Wnt. For more information, please visit www.verastem.com.

Forward-looking statements:

This press release includes forward-looking statements about the Company's strategy, future plans and prospects, including statements regarding the development of the Company's compounds, including VS-6063, or defactinib, VS-4718 and VS-5584 and the Company's FAK inhibition program, PI3K/mTOR and diagnostics programs generally, the timeline for clinical development and regulatory approval of the

Company's compounds, the expected timing for the reporting of data from ongoing trials, and the structure of the Company's planned or pending clinical trials. The words "anticipate," "appear," "believe," "estimate," "expect," "intend," "may," "plan," "predict," "project," "target," "potential," "will," "would," "could," "should," "continue," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Each forward-looking statement is subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in such statement. Applicable risks and uncertainties include the risks that the preclinical testing of the Company's compounds and preliminary data from clinical trials may not be predictive of the results or success of ongoing or later clinical trials, that data may not be available when we expect it to be, that enrollment of clinical trials may take longer than expected, that the Company will be unable to successfully complete the clinical development of its compounds, including VS-6063, VS-4718 and VS-5584, that the development of the Company's compounds will take longer or cost more than planned, and that the Company's compounds will not receive regulatory approval or become commercially successful products. Other risks and uncertainties include those identified under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 and in any subsequent SEC filings. The forward-looking statements contained in this press release reflect the Company's current views with respect to future events, and the Company does not undertake and specifically disclaims any obligation to update any forward-looking statements.

Contact Verastem, Inc.
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Verastem, Inc.

Unaudited Selected Consolidated Balance Sheet Information
(in thousands)

	June 30, 2014	December 31, 2013
Cash, cash equivalents and investments	$ 104,352	$ 123,656
Prepaid expenses and other current assets	963	643
Property and equipment, net	1,489	631
Other assets	538	331
Total assets	**$ 107,342**	**$ 125,261**
Accounts payable and accrued expenses	$ 7,324	$ 7,087
Other liabilities	839	728
Stockholders' equity	99,179	117,446

Total liabilities and stockholders' equity	**$ 107,342**	**$ 125,261**

Verastem, Inc.

Unaudited Condensed Consolidated Statements of Operations
(in thousands, except per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Operating expenses:				
Research and development	$ 8,305	$ 6,045	$ 16,716	$ 11,341
General and administrative	4,782	4,239	9,505	8,024
Total operating expenses	13,087	10,284	26,221	19,365
Loss from operations	(13,087)	(10,284)	(26,221)	(19,365)
Interest income	65	34	137	78
Net loss	$ (13,022)	$ (10,250)	$ (26,084)	$ (19,287)
Net loss per share — basic and diluted	$ (0.51)	$ (0.49)	$ (1.02)	$ (0.94)
Weighted-average number of common shares used in net loss per share — basic and diluted	25,669	20,729	25,574	20,607