# 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 March 31, 2017**

**OR**

☐ **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) |
| **117 Kendrick Street, Suite 500** | |
| **Needham, MA** | **02494** |
| (Address of principal executive offices) | (Zip Code) |

**(781) 292-4200**
(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 ☐

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 ☐

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

| Large accelerated filer ☐ | Accelerated filer ☐ | Non-accelerated filer ☐ (Do not check if a smaller reporting company) | Smaller reporting company ☒ | Emerging growth company ☒ |
|---|---|---|---|---|

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of May 8, 2017 there were 36,992,418 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, prospects, plans and objectives of management, are forward looking statements. Such statements relate to, among other things, the development of our product candidates, including duvelisib and defactinib (VS-6063), and our PI3K and FAK programs generally, the timeline for clinical development and regulatory approval of our product candidates, the expected timing for the reporting of data from on-going trials, the structure of our planned or pending clinical trials, additional planned studies, our rights to develop or commercialize our product candidates and our ability to finance contemplated development and commercialization activities and fund operations for a specified period. 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 we make. 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 products that we license from them, the fact that the preclinical and clinical testing of our product candidates and preliminary data from clinical trials 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, that enrollment of clinical trials may take longer than expected, that our product candidates may cause unexpected safety events, that we will be unable to successfully initiate or complete the clinical development of our product candidates, including duvelisib and defactinib, that development of our product candidates will take longer or cost more than planned, that we or Infinity Pharmaceuticals, Inc. (Infinity) will fail to fully perform under our license agreement for duvelisib, that the transition of the duvelisib program from Infinity will not be completed, 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 (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**
**(in thousands, except per share amounts)**

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| **Assets** | (unaudited) | |
| Current assets: | | |
| Cash and cash equivalents | $ 28,179 | $ 32,349 |
| Short-term investments | 44,392 | 48,548 |
| Prepaid expenses and other current assets | 1,434 | 398 |
| Total current assets | 74,005 | 81,295 |
| Property and equipment, net | 1,271 | 1,417 |
| Restricted cash | 162 | 162 |
| Other assets | 811 | 755 |
| Total assets | $ 76,249 | $ 83,629 |
| **Liabilities and stockholders' equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 8,809 | $ 4,095 |
| Accrued expenses | 4,424 | 6,896 |
| Total current liabilities | 13,233 | 10,991 |
| Non-current liabilities: | | |
| Long-term debt | 2,249 | — |
| Other non-current liabilities | 295 | 341 |
| Total liabilities | 15,777 | 11,332 |
| Stockholders' equity: | | |
| Preferred stock, $0.0001 par value; 5,000 shares authorized, no shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively | — | — |
| Common stock, $0.0001 par value; 100,000 shares authorized, 36,992 and 36,992 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively | 4 | 4 |
| Additional paid-in capital | 308,801 | 307,587 |
| Accumulated other comprehensive income | 12 | 29 |
| Accumulated deficit | (248,345) | (235,323) |
| Total stockholders' equity | 60,472 | 72,297 |
| Total liabilities and stockholders' equity | $ 76,249 | $ 83,629 |

See accompanying notes to the condensed consolidated financial statements.

**Verastem, Inc.**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**
**(unaudited)**
**(in thousands, except per share amounts)**

| | Three months ended March 31, | |
|---|---|---|
| | 2017 | 2016 |
| Operating expenses: | | |
| Research and development | $ 8,385 | $ 4,179 |
| General and administrative | 4,763 | 4,255 |
| Total operating expenses | 13,148 | 8,434 |
| Loss from operations | (13,148) | (8,434) |
| Interest income | 155 | 140 |
| Interest expense | (12) | — |
| Net loss | $ (13,005) | $ (8,294) |
| Net loss per share—basic and diluted | $ (0.35) | $ (0.22) |
| Weighted-average number of common shares used in net loss per share—basic and diluted | 36,992 | 36,975 |
| | | |
| Net loss | $ (13,005) | $ (8,294) |
| Unrealized (loss) gain on available-for-sale securities | (17) | 92 |
| Comprehensive loss | $ (13,022) | $ (8,202) |

See accompanying notes to the condensed consolidated financial statements.

**Verastem, Inc.**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(unaudited)**
**(in thousands)**

| | Three months ended March 31, | |
|---|---|---|
| | 2017 | 2016 |
| **Operating activities** | | |
| Net loss | $ (13,005) | $ (8,294) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation | 146 | 183 |
| Stock-based compensation expense | 1,197 | 1,706 |
| Amortization of deferred financing costs, debt discounts and premiums and discounts on available-for-sale marketable securities | 46 | (12) |
| Changes in operating assets and liabilities: | | |
| Prepaid expenses, other current assets and other assets | (1,092) | (376) |
| Accounts payable | 4,594 | (1,347) |
| Accrued expenses and other liabilities | (2,538) | (2,613) |
| Liability classified stock-based compensation awards | — | (69) |
| Net cash used in operating activities | (10,652) | (10,822) |
| **Investing activities** | | |
| Purchases of investments | (6,461) | (36,346) |
| Maturities of investments | 10,557 | 37,450 |
| Net cash provided by investing activities | 4,096 | 1,104 |
| **Financing activities** | | |
| Proceeds from long-term debt, net | 2,386 | — |
| Cash used to settle restricted stock liability | — | (5) |
| Net cash provided by (used in) financing activities | 2,386 | (5) |
| Increase (decrease) in cash and cash equivalents | (4,170) | (9,723) |
| Cash and cash equivalents at beginning of period | 32,349 | 24,870 |
| Cash and cash equivalents at end of period | $ 28,179 | $ 15,147 |
| **Supplemental disclosure of non-cash financing activities** | | |
| Deferred financing costs in accounts payable and accrued expenses | $ 140 | $ — |

See accompanying notes to the condensed consolidated financial statements.

**Verastem, Inc.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(unaudited)**

## 1. Nature of business

Verastem, Inc. (the Company) is a biopharmaceutical company focused on discovering and developing drugs to improve outcomes for patients with cancer. The Company's operations to date have been limited to organizing and staffing the Company, business planning, raising capital, identifying and acquiring potential product candidates and undertaking preclinical and clinical studies of its product candidates.

The Company is subject to a number of risks similar to other life science companies, including, but not limited to, the need to obtain adequate additional funding, possible failure of preclinical testing or clinical trials, inability to obtain marketing approval of product candidates, competitors developing new technological innovations, market acceptance of the Company's products and protection of proprietary technology. If the Company does not successfully commercialize any of its product candidates, it will be unable to generate product revenue or achieve profitability.

As of March 31, 2017, the Company had cash, cash equivalents and investments of $72.6 million and accumulated deficit of $248.3 million. Although the Company has incurred recurring losses and expects to continue to incur losses for the foreseeable future, the Company expects its cash, cash equivalents and investments to be sufficient to fund its current operating plan for at least the next twelve months from the date of issuance of these condensed consolidated financial statements.

## 2. Summary of significant accounting policies

*Basis of Presentation*

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles 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 months ended March 31, 2017 are not necessarily indicative of the results that may be expected for any other interim period or for the fiscal year ending December 31, 2017. 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, 2016 as filed with the Securities and Exchange Commission (SEC) on March 23, 2017.

*Recently Issued Accounting Standards Updates*

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 is effective for annual and interim periods beginning after December 15, 2017, with early adoption permitted. The Company has not chosen to early adopt this standard and is currently evaluating the impact the adoption will have on its consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.* ASU 2016-15 adds or clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows. The standard is effective for annual and interim periods beginning after December 15, 2017, with early adoption permitted. The Company has not chosen to early adopt this standard and is currently evaluating the impact the adoption of the standard will have on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842),* which supersedes the guidance under FASB Accounting Standards Codification (ASC) Topic 840, *Leases*, resulting in the creation of FASB ASC Topic 842, *Leases.* ASU 2016-02 requires lessees to recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term for both finance and operating leases. The guidance also eliminates the current real estate-specific provisions for all entities. ASU 2016-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. The Company has not chosen early adoption for this ASU and is currently evaluating its effect on its consolidated financial statements and related disclosures.

*Recently Adopted Accounting Standards Updates*

In January 2017, the FASB issued ASU 2017-03, *Accounting Changes and Error Corrections (Topic 250) and Investments – Equity Method and Joint Ventures (Topic 323): Amendments to SEC Paragraphs Pursuant to Staff Announcements at the September 22, 2016 and November 17, 2016 EITF Meetings.* ASU 2017-03 clarifies the SEC staff's expectations about the extent of disclosures that a registrant is expected to provide regarding the impact that the adoption of ASUs 2014-09 (Revenue from Contracts with Customers), 2016-02 (Leases) and 2016-13 (Measurement of Credit Losses on Financial Instruments) will have on its financial statements. It also conforms SEC guidance on accounting for tax benefits resulting from investments in affordable housing projects to the guidance in ASU 2014-01, *Investments -Equity Method and Joint Ventures (Topic 323)*. The guidance under this ASU was effective upon issuance and did not have a material impact on the Company's disclosures.

In October 2016, the FASB issued ASU 2016-17, *Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control*. ASU 2016-17 updates ASU 2015-02. Under the amendments, a single decision maker is not required to consider indirect interests held through related parties that are under common control with the single decision maker to be the equivalent of direct interests in their entirety. Instead, a single decision maker is required to include those interests on a proportionate basis consistent with indirect interests held through other related parties. ASU 2016-17 is effective for annual and interim periods beginning after December 15, 2016. The Company adopted this standard effective January 1, 2017. The adoption of this ASU did not have an effect on the Company's financial statements of disclosures.

In March 2016, the FASB issued ASU 2016-09, *Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. ASU 2016-09 simplifies the accounting for share-based compensation arrangements, including the accounting for forfeitures, income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. The standard was effective for annual and interim periods beginning after December 15, 2016, with early adoption permitted. The Company adopted ASU 2016-09 effective January 1, 2017. Upon adoption, the Company elected to begin accounting for forfeitures as they occur, rather than estimating a forfeiture rate, and recorded an immaterial cumulative-effect adjustment to opening accumulated deficit. Also upon adoption, the Company recognized all previously unrecognized tax benefits, which would have resulted in the recognition of an immaterial cumulative-effect adjustment to opening accumulated deficit; however, these unrecognized tax benefits were recorded as a deferred tax asset, which was fully offset by a valuation allowance. Therefore, the recognition of these benefits had no net cumulative-effect on opening accumulated deficit upon adoption.

*Significant accounting policies*

There have been no material changes, other than those described above, to the significant accounting policies included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 as filed with the SEC on March 23, 2017.

**3. Fair value of financial instruments**

The Company determines the fair value of its financial instruments based upon the fair value hierarchy, which 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 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 that the Company can access at the measurement date. |
| 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. |

*Items Measured at Fair Value on a Recurring Basis*

The following table presents information about the Company's financial instruments that are measured at fair value on a recurring basis (in thousands):

| | March 31, 2017 | | | |
|---|---|---|---|---|
| **Description** | **Total** | **Level 1** | **Level 2** | **Level 3** |
| **Financial assets** | | | | |
| Cash equivalents | $ 26,240 | $ 21,240 | $ 5,000 | $ — |
| Short-term investments | 44,392 | — | 44,392 | — |
| **Total financial assets** | **$ 70,632** | **$ 21,240** | **$ 49,392** | **$ —** |

| | December 31, 2016 | | | |
|---|---|---|---|---|
| **Description** | **Total** | **Level 1** | **Level 2** | **Level 3** |
| **Financial assets** | | | | |
| Cash equivalents | $ 30,540 | $ 20,540 | $ 10,000 | $ — |
| Short-term investments | 48,548 | — | 48,548 | — |
| **Total financial assets** | **$ 79,088** | **$ 20,540** | **$ 58,548** | **$ —** |

The Company's cash equivalents and investments are comprised of U.S. Government money market funds, overnight repurchase agreements collateralized by U.S. Government agency securities or U.S. Treasury securities, and 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 March 31, 2017 and December 31, 2016.

*Fair Value of Financial Instruments*

The fair value of the Company's debt is determined using current applicable rates for similar instruments as of the balance sheet dates and an assessment of the credit rating of the Company. The carrying value of the Company's debt approximates fair value because the Company's interest rate yield is near current market rates for comparable debt instruments. The fair value of the Company's notes payable was determined using Level 3 inputs.

**4. Investments**

Cash, cash equivalents and investments consist of the following (in thousands):

| | March 31, 2017 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Cash and cash equivalents: | | | | |
| Cash and money market accounts | $ 23,179 | $ — | $ — | $ 23,179 |
| Overnight repurchase agreements | 5,000 | — | — | 5,000 |
| Total cash and cash equivalents | $ 28,179 | $ — | $ — | $ 28,179 |
| Investments: | | | | |
| Corporate bonds and commercial paper (due within 1 year) | $ 44,380 | $ 30 | $ (18) | $ 44,392 |
| Total investments | $ 44,380 | $ 30 | $ (18) | $ 44,392 |
| **Total cash, cash equivalents, and investments** | **$ 72,559** | **$ 30** | **$ (18)** | **$ 72,571** |

| | December 31, 2016 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Cash and cash equivalents: | | | | |
| Cash and money market accounts | $ 22,349 | $ — | $ — | $ 22,349 |
| Overnight repurchase agreements | 10,000 | — | — | 10,000 |
| Total cash and cash equivalents | $ 32,349 | $ — | $ — | $ 32,349 |
| Investments: | | | | |
| Corporate bonds and commercial paper (due within 1 year) | $ 48,519 | $ 53 | $ (24) | $ 48,548 |
| Total investments | $ 48,519 | $ 53 | $ (24) | $ 48,548 |
| **Total cash, cash equivalents, and investments** | **$ 80,868** | **$ 53** | **$ (24)** | **$ 80,897** |

There were no realized gains or losses on investments for the three months ended March 31, 2017 or 2016.

**5. Accrued expenses**

Accrued expenses consist of the following (in thousands):

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Contract research organization costs | $ 2,719 | $ 3,258 |
| Compensation and related benefits | 677 | 2,505 |
| Professional fees | 610 | 403 |
| Consulting fees | 193 | 527 |
| Deferred rent | 179 | 175 |
| Other | 46 | 28 |
| | $ 4,424 | $ 6,896 |

**6. Long-term debt**

On March 21, 2017 (Closing Date), Verastem, Inc. (Borrower) entered into a term loan facility of up to $25.0 million (Term Loan) with Hercules Capital, Inc., a Maryland corporation (Hercules), the proceeds of which will be used for its ongoing research and development programs and for general corporate purposes. The Term Loan is governed by a loan and security agreement, dated March 21, 2017 (Loan Agreement), which provides for up to four separate advances subject to certain conditions of funding. The first tranche of $2.5 million was drawn on the Closing Date.

The Term Loan will mature on December 1, 2020 (Loan Maturity Date). Each advance accrues interest at a floating per annum rate equal to the greater of either (a) 10.5% or (b) the lesser of (i) 12.75% and (ii) the sum of (x) 10.5% plus (y) (A) the prime rate minus (B) 4.5%. As of March 31, 2017, the interest rate was 10.5%. The Term Loan provides for interest-only payments until November 1, 2018. The interest-only period may be extended to May 1, 2019 if the Borrower obtains minimum cash proceeds of $20.0 million from a sale of equity securities or subordinated debt and/or ongoing commercial partnerships. Thereafter, amortization payments will be payable monthly in twenty-six installments (or, if the period requiring interest-only payments has been extended to May 1, 2019, in twenty installments) of principal and interest (subject to recalculation upon a change in prime rates).

The Term Loan is secured by a lien on substantially all of the assets of the Borrower, other than intellectual property, and contains customary covenants and representations.

The Company assessed all terms and features of the Loan Agreement in order to identify any potential embedded features that would require bifurcation or any beneficial conversion features. As part of this analysis, the Company assessed the economic characteristics and risks of the Loan Agreement, including put and call features. The Company determined that all features of the Loan Agreement were clearly and closely associated with a debt host and did not require bifurcation as a derivative liability, or the fair value of the feature was immaterial to the Company's financial statements. The Company reassesses the features on a quarterly basis to determine if they require separate accounting.

The future principal payments under the Loan Agreement are as follows as of March 31, 2017 (in thousands):

| | |
|---|---|
| Remainder of 2017 | $ — |
| 2018 | 146 |
| 2019 | 936 |
| 2020 | 1,418 |
| Total | $ 2,500 |

**7. Net loss per share**

Basic and diluted net loss per common share is calculated by dividing net loss applicable to common stockholders 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, 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.

The following potentially dilutive securities were excluded from the calculation of diluted net loss per share for the periods indicated because including them would have had an anti-dilutive effect:

| | Three months ended March 31, | |
|---|---|---|
| | 2017 | 2016 |
| Outstanding stock options | 7,337,655 | 5,473,372 |
| Outstanding warrants | — | 142,857 |
| | 7,337,655 | 5,616,229 |

**8. Stock-based compensation**

*Stock options*

A summary of the Company's stock option activity and related information for the three months ended March 31, 2017 is as follows:

| | Shares | Weighted-average exercise price per share | Weighted-average remaining contractual term (years) | Aggregate intrinsic value (in thousands) |
|---|---|---|---|---|
| Outstanding at December 31, 2016 | 5,848,470 | $ 6.35 | 8.0 | $ 62 |
| Granted | 1,660,000 | $ 1.21 | | |
| Exercised | — | $ — | | |
| Forfeited/cancelled | (170,815) | $ 2.28 | | |
| Outstanding at March 31, 2017 | 7,337,655 | $ 5.29 | 8.2 | $ 2,489 |
| Vested at March 31, 2017 | 3,625,943 | $ 7.95 | 7.2 | $ 457 |
| Vested and expected to vest at March 31, 2017(1) | 7,087,655 | $ 5.42 | 8.2 | $ 2,315 |

(1)This represents the number of vested options as of March 31, 2017, plus the number of unvested options expected to vest as of March 31, 2017.

The fair value of each stock option granted during the three months ended March 31, 2017 and 2016 was estimated on the grant date using the Black-Scholes option-pricing model using the following weighted-average assumptions:

| | Three months ended March 31, | |
|---|---|---|
| | 2017 | 2016 |
| Risk-free interest rate | 2.06 % | 1.90 % |
| Volatility | 79 % | 73 % |
| Dividend yield | — | — |
| Expected term (years) | 6.4 | 5.8 |

In June 2016, the Company granted stock options to purchase a total of 500,000 shares of common stock to certain employees that vest only upon the achievement of specified performance conditions. The grant date fair value of these options was approximately $445,000. In October 2016, the Company determined that 50% of performance conditions had been achieved and as a result 250,000 shares vested and the Company recognized stock-based compensation expense of approximately $222,000 for the year ended December 31, 2016. The Company determined that the remaining 50% of the performance conditions were not considered probable of achievement as of March 31, 2017 and as a result, has not recognized any stock-based compensation expense related to the remaining unvested awards.

*Restricted stock units*

The approximate total fair value of restricted stock units (RSUs) vested during the three months ended March 31, 2016 was $65,000. As of March 31, 2016, all RSUs had vested and there was no remaining unrecognized stock-based compensation expense. There were no RSUs granted during or subsequent to the three months ended March 31, 2016.

During the first quarter of 2013, the Company amended the terms of certain RSUs related to a total of 697,060 shares of common stock to allow for 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 were considered to be liability instruments. As a result of this modification, the Company recorded 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. During the three months ended March 31, 2016, the Company made approximate deposits with the taxing authorities of $5,000 in respect of the tax liability for awards that settled during the period. As of March 31, 2016, the Company had no remaining tax liability related to these awards.

**9. Equity offerings**

In March 2017, the Company terminated the at-the-market equity offering program established in December 2013 and established a new at-the-market equity offering program pursuant to which it is able to offer and sell up to $35.0 million of its common stock at then current market prices from time to time through Cantor Fitzgerald & Co., as sales agent. The Company has not commenced sales under this program.

**10. Reduction in force**

In October 2015, the Company announced a reduction of workforce by approximately 50% to 20 full time employees. All affected employees received severance pay and outplacement assistance. As a result of the reduction in force and associated costs, the Company paid one-time severance and related costs of $1.1 million. Of these one-time severance and related costs, approximately $349,000 was paid through December 31, 2015, approximately $521,000 was paid in the three months ended March 31, 2016, and approximately $192,000 was paid in the 2016 fiscal year subsequent to March 31, 2016. As of December 31, 2016, all one-time severance and related costs have been paid and no liability remains.

**11. Subsequent events**

The Company reviews all activity subsequent to the end of the quarter 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. There are no material subsequent events to the three months ended March 31, 2017.

**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 condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q. 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 on Form 10-Q and in our Annual Report on Form 10-K for our fiscal year ended December 31, 2016. Please also refer to the sections under headings "Forward-Looking Statements" and "Risk Factors" in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for our fiscal year ended December 31, 2016.*

**OVERVIEW**

We are a biopharmaceutical company focused on discovering and developing drugs to improve outcomes for patients with cancer. Our most advanced product candidates, duvelisib and defactinib (VS-6063), utilize a multi-faceted approach to treat cancers originating either in the blood or major organ systems. We are currently evaluating these compounds in both preclinical and clinical studies as potential therapies for certain cancers, including leukemia, lymphoma, lung cancer, ovarian cancer, mesothelioma, and pancreatic cancer. We believe that these compounds may be beneficial as therapeutics either as single agents or when used in combination with immuno-oncology agents or other current and emerging standard of care treatments in aggressive cancers that are poorly served by currently available therapies.

Duvelisib targets the Phosphoinositide 3-kinase (PI3K) and defactinib targets the Focal Adhesion Kinase (FAK) signaling pathways. The PI3K signaling pathway plays a central role in cancer proliferation and survival. Duvelisib is an investigational oral therapy designed to attack both malignant B-cells and T-cells and disrupt the tumor microenvironment to help thwart their growth and proliferation for patients with lymphatic cancers through the dual inhibition of PI3K delta and gamma. FAK is a non-receptor tyrosine kinase encoded by the *PTK-2* gene that is involved in cellular adhesion and, in cancer, metastatic capability. Defactinib is a targeted inhibitor of the FAK signaling pathway. Similar to duvelisib, defactinib is also orally available and designed to be a potential therapy for patients to take at home under the advice of their physician.

Duvelisib is currently being studied in the DUO™ study, which is a Phase 3, randomized, open-label, two-arm trial of duvelisib versus treatment with ofatumumab. This study will evaluate the safety and efficacy of duvelisib as compared to ofatumumab in approximately 300 patients with relapsed or refractory chronic lymphocytic leukemia (CLL) or small lymphocytic lymphoma (SLL).

Duvelisib has successfully completed the Phase 2 DYNAMO™ study which is an open-label, single-arm trial of duvelisib that evaluated the safety and efficacy of duvelisib in 129 patients with refractory indolent non-Hodgkin lymphoma (iNHL). This study met its primary endpoint of overall response rate and the majority of reported side effects were expected, reversible and clinically manageable.

Defactinib is currently being evaluated in a Phase 1b study in combination with Merck & Co.'s PD-1 inhibitor pembrolizumab and gemcitabine in patients with advanced pancreatic cancer, a Phase 1/2 clinical collaboration with Pfizer Inc. (Pfizer) and Merck KGaA to evaluate defactinib in combination with avelumab, an anti-PD-L1 antibody, in patients with ovarian cancer, and a Phase 1/2 study in collaboration with Cancer Research UK and Merck & Co. for the combination of defactinib and pembrolizumab in patients with non-small cell lung cancer (NSCLC), mesothelioma or pancreatic cancer.

Our operations to date have been organizing and staffing our company, business planning, raising capital, identifying and acquiring potential product candidates and undertaking preclinical studies and clinical trials for our product candidates. To date, we have not generated any revenues. We have financed our operations to date through private placements of preferred stock, our initial public offering in February 2012, our follow-on offerings in July 2013 and January 2015, our loan and security agreement executed with Hercules Capital, Inc. (Hercules) in March 2017, and sales of common stock under our at-the market equity offering program.

As of March 31, 2017, we had an accumulated deficit of $248.3 million. Our net loss was $13.0 million and $8.3 million for the three months ended March 31, 2017 and 2016, respectively. We expect to incur significant expenses and increasing operating losses for the foreseeable future. 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 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, 2016 related to accrued research and development expenses and stock-based compensation. There were no material changes to these critical accounting policies in the three months ended March 31, 2017. 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 Securities and Exchange Commission (SEC) on March 23, 2017.

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 March 31, 2017 and 2016

*Research and development expense.* Research and development expense for the three months ended March 31, 2017 (2017 Quarter) was $8.4 million compared to $4.2 million for the three months ended March 31, 2016 (2016 Quarter). The $4.2 million increase from the 2016 Quarter to the 2017 Quarter was primarily related to an increase of $2.8 million in contract research organization (CRO) expense for outsourced biology, chemistry, development and clinical services, which includes our clinical trial costs, an increase in personnel related costs of approximately $965,000, and an increase of approximately $554,000 in consulting fees. These increases were offset by a decrease in stock-based compensation and other expenses of approximately $86,000.

We allocate the expenses related to external research and development services, such as CROs, clinical sites, manufacturing organizations and consultants by project. The table below summarizes our allocation of research and development expenses to our clinical programs, including duvelisib and defactinib, for the 2017 Quarter and the 2016 Quarter. We use our employee and infrastructure resources across multiple research and development projects. 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 approximate personnel related costs of $1.6 million and approximately $611,000 for the 2017 Quarter and the 2016 Quarter, respectively.

| | Three months ended March 31, | |
|---|---|---|
| | 2017 | 2016 |
| | (in thousands) | (in thousands) |
| Duvelisib | $ 4,047 | $ — |
| Defactinib | 608 | 1,498 |
| Unallocated and other research and development expense | 3,486 | 2,394 |
| Unallocated stock-based compensation expense | 244 | 287 |
| Total research and development expense | $ 8,385 | $ 4,179 |

*General and administrative expense.* General and administrative expense for the 2017 Quarter was $4.8 million compared to $4.3 million for the 2016 Quarter. The increase of approximately $508,000 from the 2016 Quarter to the 2017 Quarter primarily resulted from an increase in consulting and professional fees of approximately $922,000, partially offset by a decrease in stock-based compensation expense of approximately $397,000.

*Interest income.* Interest income increased to approximately $155,000 for the 2017 Quarter from approximately $140,000 for the 2016 Quarter. This increase was primarily due to higher interest rates on investments.

*Interest expense.* Interest expense for the 2017 Quarter was approximately $12,000 related to our loan and security agreement executed with Hercules in March 2017. We did not incur any interest expense in the 2016 Quarter.

## LIQUIDITY AND CAPITAL RESOURCES

### Sources of liquidity

To date, we have not generated any revenues. We have financed our operations to date through private placements of preferred stock, our initial public offering in February 2012, our follow-on offerings in July 2013 and January 2015, our loan and security agreement executed with Hercules in March 2017, and sales of common stock under our at-the market equity offering program.

As of March 31, 2017, we had $72.6 million in cash, cash equivalents and investments. We primarily invest our cash, cash equivalents and investments in a U.S. Government money market fund, overnight repurchase agreements collateralized by U.S. Government agency securities or U.S. Treasury securities, and corporate bonds and commercial paper of publicly traded companies.

### Cash flows

The following table sets forth the primary sources and uses of cash for the 2017 Quarter and the 2016 Quarter (in thousands):

| | Three months ended March 31, | |
|---|---|---|
| | 2017 | 2016 |
| Net cash provided by (used in): | | |
| Operating activities | $ (10,652) | $ (10,822) |
| Investing activities | 4,096 | 1,104 |
| Financing activities | 2,386 | (5) |
| Net decrease in cash and cash equivalents | $ (4,170) | $ (9,723) |

*Operating activities.* The use of cash in both quarters resulted primarily from our net losses adjusted for non-cash charges and changes in the components of working capital, including payments of one-time severance and related costs of approximately $521,000 in the 2016 Quarter.

*Investing activities.* The cash provided by investing activities for the 2017 Quarter primarily reflects the net maturities of investments of $4.1 million. The cash provided in investing activities for the 2016 Quarter primarily reflects the net maturities of investments of $1.1 million.

*Financing activities.* The cash provided by financing activities for the 2017 Quarter represents $2.4 million in net proceeds received from a loan and security agreement executed with Hercules. The cash used in financing activities for the 2016 Quarter primarily represents approximately $5,000 used to satisfy the tax withholding obligations on certain restricted stock units that were net settled by employees.

On March 21, 2017 (Closing Date), Verastem, Inc. (Borrower) entered into a term loan facility of up to $25.0 million (Term Loan) with Hercules, the proceeds of which will be used for our ongoing research and development programs and for general corporate purposes. The Term Loan is governed by a loan and security agreement, dated March 21, 2017 (Loan Agreement), which provides for up to four separate advances subject to certain conditions of funding. The first tranche of $2.5 million was drawn on the Closing Date.

The Term Loan will mature on December 1, 2020 (Loan Maturity Date). Each advance accrues interest at a floating per annum rate equal to the greater of either (a) 10.5% or (b) the lesser of (i) 12.75% and (ii) the sum of (x) 10.5% plus (y) (A) the prime rate minus (B) 4.5%. The Term Loan provides for interest-only payments until November 1, 2018. The interest-only period may be extended to May 1, 2019 if the Borrower obtains minimum cash proceeds of $20.0 million from a sale of equity securities or subordinated debt and/or ongoing commercial partnerships. Thereafter, amortization payments will be payable monthly in twenty-six installments (or, if the period requiring interest-only payments has been extended to May 1, 2019, in twenty installments) of principal and interest (subject to recalculation upon a change in prime rates).

The Term Loan is secured by a lien on substantially all of the assets of the Borrower, other than intellectual property and contains customary covenants and representations.

In March 2017, we terminated the at-the-market equity offering program established in December 2013 and established a new at-the-market equity offering program pursuant to which we are able to offer and sell up to $35.0 million of our common stock at then current market prices from time to time through Cantor Fitzgerald & Co., as sales agent. We have not commenced sales under this program.

**Funding requirements**

We expect to continue to incur significant expenses and operating losses for the foreseeable future. We anticipate that our expenses and operating losses will increase substantially if and as we:

- continue our ongoing clinical trials, including with our most advanced product candidates duvelisib and defactinib;
- initiate additional clinical trials for our product candidates;
- maintain, expand and protect our intellectual property portfolio;
- acquire or in-license other products and technologies;
- hire additional clinical, development and scientific personnel;
- add operational, financial and management information systems and personnel, including personnel to support our product development and planned future commercialization efforts; and
- ultimately establish a sales, marketing and distribution infrastructure to commercialize any products for which we may obtain marketing approval.

We expect our existing cash, cash equivalents and investments will be sufficient to fund our current operating plan for at least the next twelve months from the date of filing of this Quarterly Report on Form 10-Q. 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 and size of enrollment of, results from, and cost of completing our ongoing clinical trials;
- the scope, progress and results of our 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 and/or approval of our product candidates;
- the costs and timing of future commercialization activities for any of our product candidates for which we receive marketing approval;
- revenue, if any, received from commercial sales of any of our product candidates for which we 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. 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.

**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 SEC rules.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

We are exposed to market risk related to changes in interest rates. We had cash, cash equivalents and investments of $72.6 million and $80.9 million as of March 31, 2017 and December 31, 2016, respectively, consisting of cash, U.S. Government money market funds, overnight repurchase agreements collateralized by U.S. Government agency securities or U.S. Treasury securities, corporate bonds and commercial paper of publicly traded companies. 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 have contracts with CROs and contract manufacturers globally, which may be denominated in foreign currencies. We may be subject to fluctuations in foreign currency rates in connection with these agreements. Transactions denominated in currencies other than the functional currency are recorded based on exchange rates at the time such transactions arise. As of March 31, 2017, an immaterial amount of our total liabilities was denominated in currencies other than the functional currency.

On March 21, 2017, we entered into a term loan facility of up to $25.0 million with Hercules Capital, Inc. (Term Loan). An initial term loan was made on March 21, 2017 in an aggregate principal amount equal to $2.5 million. The Term Loan bears interest per annum equal to the greater of either (a) 10.5% or (b) the lesser of (i) 12.75% and (ii) the sum of (x) 10.5% plus (y) (A) the prime rate minus (B) 4.5%. Changes in interest rates can cause interest charges to fluctuate under the Term Loan. As of March 31, 2017, principal payable under the Term Loan was $2.5 million. A 10% increase in current interest rates would have resulted in an immaterial increase in the amount of cash interest expense paid for the three months ended March 31, 2017.

**Item 4. Controls and Procedures.**

**Evaluation of disclosure controls and procedures**

Our management, with the participation of our Chief Executive Officer and our principal financial and accounting officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2017. 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 March 31, 2017, our Chief Executive Officer and our principal financial and accounting 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**

There have been no changes in our internal control over financial reporting during the three months ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, our 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, 2016 as filed with the SEC on March 23, 2017. There have been no material changes from the factors disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, although we may disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC.

**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 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 May 10, 2017, Verastem, Inc. announced its financial results for the quarter ended March 31, 2017 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 (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 (Securities 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: May 10, 2017

By: /s/ ROBERT FORRESTER

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

Date: May 10, 2017

By: /s/ JOSEPH CHIAPPONI

Joseph Chiapponi
*Vice President, Finance*
*(Principal financial and accounting officer)*

**EXHIBIT INDEX**

| | |
|---|---|
| 4.1 | Loan and Security Agreement, dated March 21, 2017, by and between Verastem, Inc. and Hercules Capital, Inc. (incorporated by reference to Exhibit 10.26 to the Annual Report on Form 10-K (File No. 001-35403) filed by the Company on March 23, 2017). |
| 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. |
| 31.2 | Certification of Vice President, Finance 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. |
| 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. |
| 32.2 | Certification of Vice President, Finance pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 99.1 | Press Release issued by Verastem, Inc. on May 10, 2017. |
| 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 |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

**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: May 10, 2017

**Exhibit 31.2**

**CERTIFICATIONS**

I, Joseph Chiapponi, 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/ JOSEPH CHIAPPONI

Joseph Chiapponi
*Vice President, Finance*

Date: May 10, 2017

**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 March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Robert Forrester, 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: May 10, 2017

**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 March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Joseph Chiapponi, Vice President, Finance and principal accounting and 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/ JOSEPH CHIAPPONI

Joseph Chiapponi
*Vice President, Finance*

Date: May 10, 2017

# Verastem Reports First Quarter 2017 Financial Results

**BOSTON, MA – May 10, 2017** – Verastem, Inc. (NASDAQ: VSTM), focused on discovering and developing drugs to improve the survival and quality of life of cancer patients, today reported financial results for the first quarter ended March 31, 2017 and provided an overview of certain corporate developments.

"Following the presentation of positive data from the DYNAMO™ study of duvelisib in indolent non-Hodgkins Lymphoma (iNHL) at the American Society of Hematology conference in December 2016, we are focused on executing against the important milestones that lie ahead, beginning with reporting top-line duvelisib data from the Phase 3 DUO™ study in chronic lymphocytic leukemia (CLL), which is expected mid-year 2017," said Robert Forrester, President and Chief Executive Officer of Verastem. "We continue to believe duvelisib has significant potential as a convenient, oral monotherapy for patients with relapsed CLL and possibly other lymphomas, where there remains an unmet medical need."

Mr. Forrester continued, "For defactinib, the program continues to advance across three ongoing clinical collaborations evaluating focal adhesion kinase (FAK) inhibition in combination with immuno-oncology agents."

**First Quarter 2017 and Recent Highlights:**

**Duvelisib**

- ***Long Term Follow Up Data from the DYNAMO Study Selected for Oral Presentation at the 14th International Conference on Malignant Lymphoma (ICML)*** – In early May, Verastem announced that an abstract highlighting long term follow up data from the ongoing Phase 2 DYNAMO study was selected for oral presentation at ICML 2017 in Lugano, Switzerland. The presentation, titled "DYNAMO: A Phase 2 Study Demonstrating the Clinical Activity of Duvelisib in Patients with Double-Refractory Indolent Non-Hodgkin Lymphoma," will be presented by Pier Luigi Zinzani, M.D., Ph.D., of the University of Bologna Institute of Hematology, on Thursday, June 15, 2017 at 15:40 CET in Room A, Cinema Corso and Aula Magna (Lugano University).

- ***Ongoing Phase 3 DUO Study in Relapsed or Refractory CLL*** – The efficacy and safety of duvelisib is currently being evaluated in the randomized Phase 3 DUO study in patients with relapsed or refractory CLL. In the DUO study, approximately 300 patients were randomized 1:1 to receive duvelisib (25mg BID) or ofatumumab (8 weekly infusions, starting with an initial intravenous dose of 300mg on day 1 followed by 7 weekly doses of 2,000mg, then 2,000mg monthly for 4 cycles). The trial was fully enrolled in November 2015. The primary endpoint of this study is progression free survival (PFS). Key secondary endpoints include overall response rate (ORR), overall survival, duration of response (DOR) and safety. Verastem expects to report top-line data from the DUO study in mid-year 2017.

· ***Published Scientific Research Demonstrating the Potential of Duvelisib in Combination with Venetoclax*** – A recent publication[1] in *Leukemia* by Patel and colleagues provides scientific rationale for the combination of duvelisib with the BCL2 inhibitor venetoclax for the treatment of CLL. Using samples from duvelisib-treated CLL patients, this group at the University of Texas MD Anderson Cancer Center found that duvelisib-treatment increased expression of several pro-apoptotic proteins such that the CLL cells were poised for apoptosis. They went on to show that CLL cells from patients after duvelisib treatment were killed more effectively by venetoclax than CLL cells taken from the same patients before duvelisib treatment.

**Defactinib (VS-6063)**

· ***Presented Defactinib Data at the 2017 American Association for Cancer Research Annual Meeting*** – In an oral presentation titled, "Reprogramming the tumor microenvironment to improve responses to therapy," Verastem scientific collaborator David G. DeNardo, Ph.D., Assistant Professor of Medicine, Division of Oncology, Department of Immunology, Washington University School of Medicine in St. Louis, described data demonstrating that FAK inhibition can enable efficacy of PD-1 inhibition in preclinical models of pancreatic cancer that, like the clinical disease, are otherwise refractory to checkpoint inhibition. Verastem's FAK inhibitor, defactinib, is currently being evaluated in combination with Merck's PD-1 inhibitor, pembrolizumab, and gemcitabine in patients with advanced pancreatic ductal adenocarcinoma (PDAC). Initial analysis of immune biomarkers from matched pairs of metastatic biopsies, taken either pre- or post-treatment, from patients with PDAC showed an increase in activated proliferating cytotoxic T-cells together with a reduction in tumor-associated macrophages (TAMs).

· ***Dosed the First Patient in Combination Trial of Defactinib and Avelumab in Patients with Ovarian Cancer*** – As announced in January 2017, the first patient was dosed in a new clinical trial evaluating avelumab, an investigational fully human anti-PD-L1 IgG1 monoclonal antibody, in combination with defactinib in patients with advanced ovarian cancer. This multicenter, open-label, dose-escalation and dose-expansion Phase 1/2 clinical trial is designed to assess the safety, pharmacokinetics, pharmacodynamics, and initial observations of clinical activity of the avelumab/defactinib combination in patients with recurrent or refractory stage III-IV ovarian cancer. The study is being conducted in collaboration with the alliance between Merck KGaA, Darmstadt, Germany, which in the U.S. and Canada operates as EMD Serono, and Pfizer, and is expected to enroll approximately 100 patients at up to 15 sites across the U.S.

· ***Updated Data from the Window of Opportunity Study in Mesothelioma Selected for Poster Presentation at the American Society of Clinical Oncology (ASCO) 2017 Annual Meeting*** – An abstract highlighting updated data from the ongoing Phase 2 Window of Opportunity study was selected for a poster presentation at ASCO 2017 in Chicago. The presentation, titled "Effect of FAK inhibitor defactinib on tumor immune changes and tumor reductions in a phase II window of opportunity study in malignant pleural mesothelioma (MPM)," will be presented by Raphael Bueno, M.D., of the Brigham and Women's Hospital and Harvard Medical School, on Saturday, June 3, 2017 from 8:00-11:30am CT in Hall A at McCormick Place.

**Corporate and Financial**

- ***Eric K. Rowinsky Appointed to the Board of Directors*** – Verastem announced the appointment of Eric K. Rowinsky, M.D., to its Board of Directors. Dr. Rowinsky brings to Verastem nearly 30 years of experience in the development of cancer treatments, such as cetuximab (Erbitux®) when he was Chief Medical Officer of ImClone Systems, as well as Cyramza®, Portrazza®, Taxol®, Taxotere®, Hycamtin®, Tarceva®, Camptosar®, Tykerb®, and cixutumumab, among others. Dr. Rowinsky is a member of the board of directors of Biogen, Navidea, and Fortress Biotech, all public life sciences companies, and has served on the board of directors of BIND Therapeutics, a life-science company acquired by Pfizer. Dr. Rowinsky is replacing Paul A. Friedman, M.D. who is transitioning from his role as Director to become a member of Verastem's Clinical and Scientific Advisory Board.

- ***Hagop Youssoufian, MSc, M.D., Named Head of Hematology and Oncology Development*** – In January 2017, Dr. Youssoufian assumed this leadership role at Verastem to oversee the clinical and regulatory development of Verastem's pipeline, including duvelisib, and provide overall strategic and tactical leadership to its hematology-oncology clinical programs. Dr. Youssoufian brings over 25 years of product development and commercialization experience to Verastem, having served as Chief Medical Officer at BIND Therapeutics, Ziopharm Oncology and Imclone Systems, and other senior roles at Progenics, Sanofi Aventis and Bristol-Myers Squibb where he was involved in the development of Sprycel®, Taxotere® Erbitux®, Cyramza®, Portrazza® and Lartruvo®.

- ***Additional Key Personnel Appointments*** – Michael Ferraresso joined Verastem as Vice President, Commercial Operations, and Verastem also appointed several highly experienced individuals to its Clinical and Scientific Advisory Board, including Lori Kunkel, M.D., former Chief Medical Officer at Pharmacyclics, Edmund J. Pezalla, M.D., MPH, Former Vice President, Pharmaceutical Policy and Strategy at Aetna, Greg Berk, M.D., former Chief Medical Officer at Verastem, Inc., Cheryl Cohen, former Chief Commercial Officer at Medivation, Inc., and Brian Stuglik, R.Ph, former Vice President and Chief Marketing Officer, Oncology Global Marketing at Eli Lilly.

- ***Secured $25 Million Loan Facility*** – In March 2017, Verastem entered into a Loan and Security Agreement with Hercules Capital, Inc. for up to $25.0 million in financing. Verastem received the first $2.5 million of financing under the Loan and Security Agreement when the transaction closed. The proceeds will be used for Verastem's ongoing research and development programs and for general corporate purposes. Additional tranches of up to $22.5 million in aggregate will be available subject to certain conditions, including positive data from the Phase 3 DUO clinical trial evaluating duvelisib in patients with relapsed or refractory CLL.

**First Quarter 2017 Financial Results**

Net loss for the three months ended March 31, 2017 (2017 Quarter) was $13.0 million, or $0.35 per share, as compared to a net loss of $8.3 million, or $0.22 per share, for the three months ended March 31, 2016 (2016 Quarter). Net loss includes non-cash stock-based compensation expense of $1.2 million and $1.6 million for the 2017 Quarter and 2016 Quarter, respectively.

Research and development expense for the 2017 Quarter was $8.4 million compared to $4.2 million for the 2016 Quarter. The $4.2 million increase from the 2016 Quarter to the 2017 Quarter was primarily related to an increase of $2.8 million in contract research organization expense for outsourced biology, chemistry, development and clinical services, which includes clinical trial costs, an increase in personnel related costs of approximately $965,000, and an increase of approximately $554,000 in consulting fees. These increases were offset by a decrease in stock-based compensation and other expenses of approximately $86,000.

General and administrative expense for the 2017 Quarter was $4.8 million compared to $4.3 million for the 2016 Quarter. The increase of approximately $508,000 from the 2016 Quarter to the 2017 Quarter primarily resulted from an increase in consulting and professional fees of approximately $922,000, partially offset by a decrease in stock-based compensation expense of approximately $397,000.

As of March 31, 2017, Verastem had cash, cash equivalents and investments of $72.6 million compared to $80.9 million as of December 31, 2016. Verastem used $10.7 million for operating activities during the 2017 Quarter.

The number of outstanding common shares as of March 31, 2017, was 36,992,418.

**Financial Guidance**

Based on our current operating plans, we expect to have sufficient cash, cash equivalents and investments to fund our research and development programs and operations into 2018.

**About the Tumor Microenvironment**

The tumor microenvironment encompasses various cellular populations and extracellular matrices within the tumor or cancer niche that support cancer cell survival. This includes immunosuppressive cell populations such as regulatory T-cells, myeloid-derived suppressor cells, M2 tumor-associated macrophages, as well as tumor-associated fibroblasts and extracellular matrix proteins, which can hamper the entry and therapeutic benefit of cytotoxic immune cells and anti-cancer drugs. In addition to targeting the proliferative and survival signaling of cancer cells, Verastem's product candidates, including duvelisib and defactinib, also target the tumor microenvironment as a mechanism of action to potentially improve a patient's response to therapy.

**About Duvelisib**

Duvelisib is an investigational, dual inhibitor of phosphoinositide 3-kinase (PI3K)-delta and PI3K-gamma, two enzymes that are known to help support the growth and survival of malignant B-cells and T-cells. PI3K signaling may lead to the proliferation of malignant B-cells and is thought to play a role in the formation and maintenance of the supportive tumor microenvironment.[2,3,4] Duvelisib is currently being evaluated in late- and mid-stage clinical trials, including DUO™, a randomized, Phase 3 monotherapy study in patients with relapsed or refractory CLL[5], and DYNAMO™, a single-arm, Phase 2 monotherapy study in patients with refractory iNHL that achieved its primary endpoint of ORR upon top-line analysis of efficacy data[6]. Duvelisib is also being evaluated for the treatment of hematologic malignancies through investigator-sponsored studies, including T-cell lymphoma.[7] Information about duvelisib clinical trials can be found on www.clinicaltrials.gov.

**About Defactinib**

Defactinib is an investigational inhibitor of FAK, a non-receptor tyrosine kinase encoded by the PTK-2 gene that mediates oncogenic signaling in response to cellular adhesion and growth factors.[8] Based on the multi-faceted roles of FAK, defactinib is used to treat cancer through modulation of the tumor microenvironment, enhancement of anti-tumor immunity, and reduction of cancer stem cells.[9,10] Defactinib is currently being evaluated in three separate clinical collaborations in combination with immunotherapeutic agents for the treatment of several different cancer types including pancreatic cancer, ovarian cancer, non-small cell lung cancer, and mesothelioma. These studies are combination clinical trials with pembrolizumab and avelumab from Merck & Co. and Pfizer/Merck KGaA, respectively.[11,12,13] Information about these and additional clinical trials evaluating the safety and efficacy of defactinib can be found on www.clinicaltrials.gov.

**About Verastem, Inc.**

Verastem, Inc. (NASDAQ:VSTM) is a biopharmaceutical company focused on discovering and developing drugs to improve outcomes for patients with cancer. Verastem is currently developing duvelisib, a dual inhibitor of PI3K-delta and PI3K-gamma, which has successfully met its primary endpoint in a Phase 2 study in iNHL and is currently being evaluated in a Phase 3 clinical trial in patients with CLL. In addition, Verastem is developing the FAK inhibitor defactinib, which is currently being evaluated in three separate clinical collaborations in combination with immunotherapeutic agents for the treatment of several different cancer types, including pancreatic cancer, ovarian cancer, non-small cell lung cancer, and mesothelioma. Verastem's product candidates seek to treat cancer by modulating the local tumor microenvironment, enhancing anti-tumor immunity and reducing cancer stem cells. For more information, please visit www.verastem.com.

**Verastem, Inc. forward-looking statements notice:**

This press release includes forward-looking statements about Verastem's strategy, future plans and prospects, including statements regarding the development and activity of Verastem's investigational product candidates, including duvelisib and defactinib (VS-6063), and Verastem's PI3K and FAK programs generally, the structure of our planned and pending clinical trials and the timeline and indications for clinical development, including reporting top-line data, and regulatory submissions, our rights to develop or commercialize our product candidates and our ability to finance contemplated development activities and fund operations for a specified period. 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. 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 Verastem's product candidates and preliminary or interim 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 expected, including for the Phase 3 DUO™ study; that enrollment of clinical trials may take longer than expected; that our product candidates will cause unexpected safety events or result in an unmanageable safety profile as compared to their level of efficacy; that duvelisib will be ineffective at treating patients with lymphoid malignancies; that Verastem will be unable to successfully initiate or complete the clinical development of its product candidates; that the development of Verastem's product candidates will take longer or cost more than planned; that Verastem may not have sufficient cash to fund its contemplated operations; that Verastem or Infinity

Pharmaceuticals, Inc. (Infinity) will fail to fully perform under the duvelisib license agreement; that Verastem may be unable to make additional draws under its debt facility or obtain adequate financing in the future through product licensing, co-promotional arrangements, public or private equity, debt financing or otherwise; that Verastem will not pursue or submit regulatory filings for its product candidates, including for duvelisib in patients with CLL or iNHL; and that Verastem's product candidates will not receive regulatory approval, become commercially successful products, or result in new treatment options being offered to patients. Other risks and uncertainties include those identified under the heading "Risk Factors" in Verastem's Annual Report on Form 10-K for the year ended December 31, 2016 and in any subsequent filings with the U.S. Securities and Exchange Commission. The forward-looking statements contained in this press release reflect Verastem's views as of the date of this release, and Verastem does not undertake and specifically disclaims any obligation to update any forward-looking statements.

**Verastem, Inc.**
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**Verastem, Inc.**
**Unaudited Condensed Consolidated Balance Sheets**
(in thousands)

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Cash, cash equivalents and investments | $ 72,571 | $ 80,897 |
| Prepaid expenses and other current assets | 1,434 | 398 |
| Property and equipment, net | 1,271 | 1,417 |
| Other assets | 973 | 917 |
| **Total assets** | **$ 76,249** | **$ 83,629** |
| | | |
| Accounts payable and accrued expenses | $ 13,233 | $ 10,991 |
| Long-term debt | 2,249 | — |
| Other liabilities | 295 | 341 |
| Stockholders' equity | 60,472 | 72,297 |
| **Total liabilities and stockholders' equity** | **$ 76,249** | **$ 83,629** |

**Verastem, Inc.**
**Unaudited Condensed Consolidated Statements of Operations**
(in thousands, except per share amounts)

| | Three months ended March 31, | |
|---|---|---|
| | **2017** | **2016** |
| Operating expenses: | | |
| Research and development | $ 8,385 | $ 4,179 |
| General and administrative | 4,763 | 4,255 |
| Total operating expenses | 13,148 | 8,434 |
| Loss from operations | (13,148) | (8,434) |
| Interest income | 155 | 140 |
| Interest expense | (12) | — |
| **Net loss** | **$ (13,005)** | **$ (8,294)** |
| **Net loss per share—basic and diluted** | **$ (0.35)** | **$ (0.22)** |
| **Weighted-average number of common shares used in net loss per share-basic and diluted** | **36,992** | **36,975** |