Biotechnology

RDUS - NASDAQ June 22, 2015

Closing Price 06/19/2015	**$60.00**
Rating:	*(prior Buy)* Hold
12-Month Target Price:	*(prior $50.00)* NA
52-Week Range:	$8.08 - $63.52
Market Cap (M):	$2,273
Shares O/S (M):	38
Float:	70.7%
Avg. Daily Volume (000):	472
Dividend:	$0.00
Dividend Yield:	0.00%
Risk Profile:	High
Fiscal Year End:	December

Total Revenues ('000)

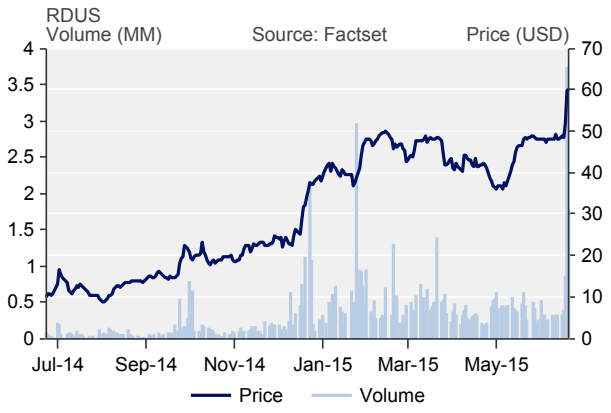
	2015E	2016E	2017E
1Q	0A	21,531	43,899
2Q	0	24,340	49,626
3Q	0	22,468	45,808
4Q	0	25,276	51,534
FY	0	93,615	190,867
Prior	—	—	178,466

GAAP Net Income (loss) ('000)

	2015E	2016E	2017E
1Q	(17,057)A	(275)	16,337
2Q	(17,500)	(311)	18,468
3Q	(18,000)	(287)	17,047
4Q	(18,550)	(323)	19,178
FY	(70,365)	(1,195)	71,031
Prior	(71,815)	(5,195)	54,673

GAAP EPS

	2015E	2016E	2017E
1Q	(0.47)A	(0.01)	0.45
2Q	(0.48)	(0.01)	0.50
3Q	(0.50)	(0.01)	0.47
4Q	(0.51)	(0.01)	0.52
FY	(1.96)	(0.03)	1.94
Prior	(2.00)	(0.14)	1.49



Radius Health, Inc. — Hold

Downgrading to Hold, from Buy, and Removing Prior Price Target of $50; Fully Valued Now.

Summary

- **Radius' stock has exceeded our prior price target of $50 quicker than we anticipated when we launched coverage in April 2015. Additionally, the stock rose another $10 through $60 on what we view as expected positive six-month data from the ACTIVExtend study.**
- **At this juncture, we believe Radius is fully valued. We believe Radius will likely gain approval for abaloparatide and launch in the U.S. and Europe in mid-late 2016. We see few near-term catalysts that could drive valuation higher, maybe a small incremental increase in valuation with the announcement of a European partner (maybe) or NDA submission, but we suspect the threat of a biosimilar version of Lilly (LLY-$83.01-NR) will keep interest contained.**
- **Our view remains unchanged...Radius should launch against Forteo in the U.S. and Europe (probably with a partner). However, we believe that the launch ramp-up may be slow in a mature market that only generates $700M (US) for Lilly today.**

Details

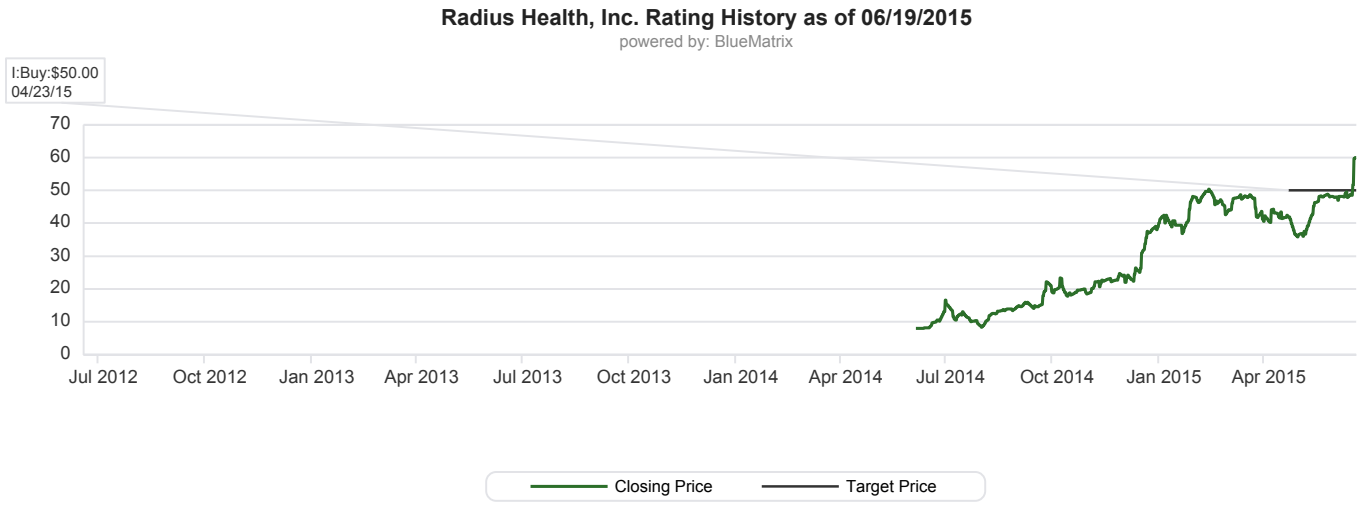
ACTIVEextend extends the results from the ACTIVE trial. The phase III ACTIVE study showed reductions in new vertebral fractures by 86% versus placebo and non-vertebral fractures by 43%, as well as BMD increases of 9.2%, 2.9% and 3.44% for spine, femoral neck and total hip, respectively. Following six months (25 months of total fracture data) of alendronate treatment in the ACTIVExtend study, reduction in new vertebral fractures improved to 87% and non-vertebral fractures to 52%. Additionally there was a 48% reduction in clinical fractures, 58% reduction in major osteoporotic fractures, and continued statistically significant increases in BMD across spine, femoral neck and total hip. Radius also showed in an exploratory endpoint a statistically significant reduction of 67% in major osteoportic fractures versus placebo and 53% versus Forteo. Radius believes the totality of the data should support NDA and MAA submissions. We believe that abaloparatide will be approved in mid-late 2016.

Phase III is factored in, but what about approval and launch? If approved, we expect to see a shift to concerns over a launch in 2016. Radius's abaloparatide story becomes even more intriguing when Forteo's patent expires in 2018 and biosimilars are likely launched. The German generics manufacturer STADA Arzneimittel (private) has stated that its Forteo biosimilar will be ready to launch throughout Europe by 2018. However, osteoporosis therapy lends itself to moving patients to incrementally better therapies. The key for Radius will be driving patient and physician conversion based on incremental improvements and using promotional dollars to expand the fractured market in front of Forteo's patent expiring. By 2018 the questions will be: Are the incremental improvements enough? Will physicians and payers treat patients with the abaloparatide brand over a cheaper biosimilar of a relatively comparable and mature (>12 years) product like Forteo?

Valuation. We expect abaloparatide-SC to launch in mid-late 2016 in the U.S. and Europe. We believe that Radius is now fully valued and do not see any near-term catalysts to drive stock value higher.

Jason McCarthy, Ph.D.
(212) 895-3556
jmccarthy@maximgrp.com

DISCLOSURES



Maxim Group LLC Ratings Distribution			As of: 06/21/15
		% of Coverage Universe with Rating	% of Rating for which Firm Provided Banking Services in the Last 12 months
Buy	Fundamental metrics and/or identifiable catalysts exist such that we expect the stock to outperform its relevant index over the next 12 months.	**75%**	**46%**
Hold	Fundamental metrics are currently at, or approaching, industry averages. Therefore, we expect this stock to neither significantly outperform nor underperform its relevant index over the next 12 months.	**23%**	**17%**
Sell	Fundamental metrics and/or identifiable catalysts exist such that we expect the stock to underperform its relevant index over the next 12 months.	**2%**	**0%**
	**See valuation section for company specific relevant indices*		

I, Jason McCarthy, Ph.D., attest that the views expressed in this research report accurately reflect my personal views about the subject security and issuer. Furthermore, no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed in this research report.

The research analyst(s) primarily responsible for the preparation of this research report have received compensation based upon various factors, including the firm's total revenues, a portion of which is generated by investment banking activities.

Maxim Group makes a market in Radius Health, Inc.

RDUS: For Radius we use the BTK (Biotechnology) as the relative index

Valuation Methods

RDUS: Our current assumption is for abaloparatide-SC approval and launch by 2016 in the US and Europe (with a partner). RAD1901 for both indications is risk adjusted at 50% for vasomotor symptoms and 80% for breast cancer due to the early developmental stages. We apply a discount rate of 15% (given the likelihood of approval in osteoporosis) in our free cash flow, discounted EPS, and sum-of-the-parts model to value the stock.

Price Target and Investment Risks

RDUS: Radius faces multiple risks including 1: Development: Radius may not be successful in developing products with therapeutic benefit 2) Regulatory: Radius faces regulatory risk. Products may not meet regulatory guidelines to gain approval. Additionally, the company may have to conduct additional clinical trials to gain approvals. 3) Financial: Radius is not a profitable company may have to raise capital prior to generating profitiability. 4)Commercial: Radius products (if approved) may not be successful in the market.

RISK RATINGS

Risk ratings take into account both fundamental criteria and price volatility.

Speculative – Fundamental Criteria: This is a risk rating assigned to early-stage companies with minimal to no revenues, lack of earnings, balance sheet concerns, and/or a short operating history. Accordingly, fundamental risk is expected to be significantly above the industry. Price Volatility: Because of the inherent fundamental criteria of the companies falling within this risk category, the price volatility is expected to be significant with the possibility that the investment could eventually be worthless. Speculative stocks may not be suitable for a significant class of individual investors.

High – Fundamental Criteria: This is a risk rating assigned to companies having below-average revenue and earnings visibility, negative cash flow, and low market cap or public float. Accordingly, fundamental risk is expected to be above the industry. Price Volatility: The price volatility of companies falling within this category is expected to be above the industry. High-risk stocks may not be suitable for a significant class of individual investors.

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Low – Fundamental Criteria: This is a risk rating assigned to companies that may have above-average revenue and earnings visibility, positive cash flow, and is fairly liquid. Accordingly, both price volatility and fundamental risk are expected to be below the industry.

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ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

Corporate Headquarters

The Chrysler Building
405 Lexington Ave., 2nd FL
New York, NY 10174
Tel: 212-895-3500

Capital Markets/Syndicate: 212-895-3695

Corporate Finance: 212-895-3511

Equity/Options Trading: 212-895-3790

Equity Research: 212-895-3736

Event Driven/Risk Arb Group: 212-895-3878

Fixed Income Trading: 212-895-3875

Global Equity Trading: 212-895-3623

Institutional Sales: 212-895-3755

Institutional Sales Trading: 212-895-3873

Prime Brokerage: 212-895-3723

Wealth Management: 212-895-3624

Woodbury, Long Island

20 Crossways Park Drive North
Suite 304
Woodbury, NY 11797
Tel: 516-393-8300

Red Bank, New Jersey

246 Maple Avenue
Red Bank, NJ 07701
Tel: 732-784-1900

San Francisco Bay Area

3730 Mt. Diablo Blvd
Suite 158
Lafayette, CA 94549
Tel: 415-762-0114

Boca Raton, Florida

7900 Glades Road
Suite 505
Boca Raton, FL 33434
Tel: 561-465-2605