

Today's Changes	Annual EPS	Annual Revenue	Rating/Target
	2014E (\$54.05) from (\$54.39)	No change	No change
	2015E (\$3.06) from (\$2.78)		

## Radius Health

RDUS : NASDAQ : US\$22.32

**BUY****Target: US\$30.00**

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### COMPANY STATISTICS:

Forecast Return:	34.4%
Shares Out (M):	26.0
Ent Value:	
Market Cap (M):	US\$579.2
52-week Range:	7.46 - 24.28
Avg. Daily Vol. (000s):	110.5

### EARNINGS SUMMARY:

FYE Dec	2013A	2014E	2015E	2016E
Revenue (M):	0.0	0.0	0.0	82.1
EPS:	(3.97)	(54.05)	(3.06)	(1.52)
<b>Revenue (M):</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
	0.0	0.0	0.0A	--
	0.0	0.0	0.0A	--
	0.0	0.0	0.0	--
	0.0	0.0	0.0	--
Total	0.0	0.0	0.0	82.1
<b>EPS:</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
	(50.45)	(0.68)A	--	--
	(2.22)	(0.88)A	--	--
	0.00	(0.59)	(0.75)	--
	0.00	(0.79)	(0.75)	--
Total	(3.97)	(54.05)	(3.06)	(1.52)

### SHARE PRICE PERFORMANCE:



Source: Interactive Data Corporation

### COMPANY DESCRIPTION:

Radius is a biotechnology company focused on discovering, developing, and commercializing drugs for endocrine disorders. Its wholly owned lead asset is abaloparatide, in Phase 3 for treatment of postmenopausal osteoporosis.

All amounts in US\$ unless otherwise noted.

### Life Sciences -- Biotechnology

## PHASE 3 ABALOPARATIDE AND RAD1901 DATA IN DECEMBER

### Investment highlights

#### Anticipate positive Phase 3 abaloparatide data in December

We expect positive top-line Phase 3 data for abaloparatide in December, which may show numerically superior fracture reduction for abaloparatide vs. Forteo. We estimate high probability of success for the primary endpoint, vertebral fracture rate for abaloparatide vs. placebo. We remind investors that Forteo has not reduced hip fracture in prior studies.

#### Monkey data at ASBMR significant plus, overlooked

Radius demonstrated a correlation between increases in bone mineral density and bone strength in monkeys receiving abaloparatide at the ASBMR meeting, which we view as a significant positive. Importantly, the magnitude of increase in bone mineral density for osteoporosis drugs can be challenging to correlate with fracture reduction, but monkey data for abaloparatide does show increased bone mineral density for abaloparatide correlates with greater bone strength.

#### RAD1901 interesting, Phase 1 data expected early December

Radius will present Phase 1 data for RAD1901 in healthy volunteers, where prior data showed estrogen suppression at only 6 days. The company will present additional data for the Selective Estrogen Receptor Degradator (SERD) in healthy patients, and will begin a Phase 1b study in metastatic breast cancer by YE14.

#### Maintain BUY, \$30 price target

We maintain our BUY rating and \$30 price target based on our Probability Adjusted NPV. We continue to expect positive top-line data for abaloparatide in December 2014.

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The recommendations and opinions expressed in this research report accurately reflect the Investment Analyst's personal, independent and objective views about any and all the Designated Investments and Relevant Issuers discussed herein. For important information, please see the Important Disclosures section in the appendix of this document.

## VALUATION

**Figure 1: Radius valuation**

Product	Peak Sales (\$MM)	Year	NPV at launch	Probability Adjustment	Current Value (\$MM)	Scenario probability	Value / Share
<b>abaloparatide</b>							
US	\$822	2022	\$1,299	65%	\$662	100%	\$23
Ex-US - co-promote	\$346	2021	\$403	65%	\$179	50%	\$3
Ex-US - royalty	\$346	2021	\$193	65%	\$126	50%	\$2
<b>Total abaloparatide</b>					<b>\$841</b>		<b>\$28</b>
Total Product Value					841		\$28
Cash					60		\$2
<b>Total Equity Value</b>					<b>901</b>		<b>\$30</b>
Shares Outstanding (MM)					29		

Risk-Free Rate	3.0%
Beta	1.8
Risk Premium	5%
Discount Rate	13%

Source: Canaccord Genuity estimates

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Figure 2: Radius income statement

## Radius Health, Inc.

(000's) (FY - DEC)

	2013A	1Q14A	2Q14A	3Q14A	4Q14E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
<b>Revenues</b>												
abaloparatide - US								82,120	239,867	357,419	465,944	583,042
abaloparatide - Ex-US								-	90,548	204,751	251,503	298,717
<b>Total</b>								<b>82,120</b>	<b>330,415</b>	<b>562,170</b>	<b>717,447</b>	<b>881,759</b>
<b>Income Statement</b>	<b>2013A</b>	<b>1Q14A</b>	<b>2Q14A</b>	<b>3Q14A</b>	<b>4Q14E</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>
<b>Total Revenue</b>	-	-	-	-	-	-	-	82,120	264,315	457,747	594,210	738,375
COGS	-	-	-	-	-	-	-	16,424	52,863	91,549	118,842	147,675
<b>Gross Profit</b>	-	-	-	-	-	-	-	65,696	211,452	366,198	475,368	590,700
<b>Operating Expenses</b>												
Research and development	60,536	9,717	10,618	13,817	14,926	49,078	74,464	59,354	55,796	65,122	84,196	117,620
abaloparatide-SC	45,977	8,107	9,728	10,132	12,158	40,126	27,052	18,937	13,256	13,256	13,256	13,256
abaloparatide-TD	11,459	185	278	523	785	1,770	31,380	21,966	15,376	10,763	7,534	5,274
RAD1901	-	-	-	1,027	1,000	2,027	12,100	14,520	23,232	37,171	59,474	95,158
RAD140	-	-	-	-	-	-	-	-	-	-	-	-
other	3,100	1,425	1,710	819	983	4,937	3,932	3,932	3,932	3,932	3,932	3,932
General and administrative	6,829	2,139	3,070	2,836	2,700	10,745	13,200	57,484	85,902	102,993	133,697	166,134
<b>Total Operating Expense</b>	<b>67,365</b>	<b>11,856</b>	<b>13,688</b>	<b>16,653</b>	<b>17,626</b>	<b>59,823</b>	<b>87,664</b>	<b>116,838</b>	<b>141,698</b>	<b>168,115</b>	<b>217,893</b>	<b>283,754</b>
EBITDA												
<b>Operating income</b>	<b>(67,365)</b>	<b>(11,856)</b>	<b>(13,688)</b>	<b>(16,653)</b>	<b>(17,626)</b>	<b>(59,823)</b>	<b>(87,664)</b>	<b>(51,142)</b>	<b>69,754</b>	<b>198,083</b>	<b>257,475</b>	<b>306,946</b>
Other income (expense), net	9,085	(2,233)	1,727	(802)	(802)	(2,110)	(5,824)	(2,110)	(5,824)	(2,110)	(5,824)	(2,110)
Loss on retirement of note payable			(203)									
Interest (expense) income, net	(2,410)	(399)	(445)	24	24	(796)	(1,544)	(796)	(1,544)	(796)	(1,544)	(796)
Accretion of preferred stock		(4,969)	(4,031)									
<b>Pre-tax income (GAAP)</b>	<b>(60,690)</b>	<b>(19,457)</b>	<b>(16,640)</b>	<b>(17,431)</b>	<b>(18,404)</b>	<b>(71,932)</b>	<b>(95,032)</b>	<b>(54,048)</b>	<b>62,386</b>	<b>195,177</b>	<b>250,107</b>	<b>304,040</b>
<b>Pre-tax income (non-GAAP)</b>												
Taxes (GAAP)	-	-	-	-	-	-	-	-	23,083	72,215	92,540	112,495
Tax rate (GAAP)	37%	37%	37%	37%	37%	37%	37%	37%	37%	37%	37%	37%
<b>Net Income (GAAP)</b>	<b>(60,690)</b>	<b>(19,457)</b>	<b>(16,640)</b>	<b>(17,431)</b>	<b>(18,404)</b>	<b>(71,932)</b>	<b>(95,032)</b>	<b>(54,048)</b>	<b>39,303</b>	<b>122,961</b>	<b>157,568</b>	<b>191,545</b>
<b>GAAP EPS (diluted)</b>	<b>(\$3.97)</b>	<b>(\$50.45)</b>	<b>(\$2.22)</b>	<b>(\$0.59)</b>	<b>(\$0.79)</b>	<b>(\$54.05)</b>	<b>(\$3.06)</b>	<b>(\$1.52)</b>	<b>\$1.05</b>	<b>\$3.14</b>	<b>\$3.83</b>	<b>\$4.43</b>
Diluted shares outstanding	15,278	386	7,500	29,746	23,200	15,208	31,539	35,562	37,340	39,207	41,167	43,226

Source: Company reports, Canaccord Genuity, Inc.

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**Figure 3: Radius balance sheet**

<b>Balance Sheet</b>												
(000's) [FY - DEC]	2013A	1Q14A	2Q14A	3Q14A	4Q14E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
<b>ASSETS</b>												
Current assets:												
Cash and cash equivalents	\$ 12,303	\$ 29,558	\$ 48,371	\$ 16,466	\$ (3,562)	\$ (3,562)	\$ 10,897	\$ 10,008	\$ 52,611	\$ 178,865	\$ 339,716	\$ 534,536
Marketable securities			\$ 30,650	\$ 52,048		-	-					
Prepaid expenses and other current assets	334	2,288	1,797	1,380	2,649	2,649	3,380	3,727	3,913	4,109	4,314	4,530
<b>Total current assets</b>	<b>12,637</b>	<b>31,846</b>	<b>80,818</b>	<b>69,894</b>	<b>(913)</b>	<b>(913)</b>	<b>3,380</b>	<b>13,735</b>	<b>56,525</b>	<b>182,974</b>	<b>344,030</b>	<b>539,066</b>
Property and equipment, net	76	60	70	790	69	69	89	98	103	108	113	119
Other assets	45	-	242	252.00	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 12,758</b>	<b>\$ 31,906</b>	<b>\$ 81,130</b>	<b>\$ 70,936</b>	<b>\$ (844)</b>	<b>\$ (844)</b>	<b>\$ 3,469</b>	<b>\$ 13,833</b>	<b>\$ 56,627</b>	<b>\$ 183,082</b>	<b>\$ 344,144</b>	<b>\$ 539,185</b>
<b>LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT</b>												
Current liabilities:												
Accounts payable	\$ 300	\$ 279	\$ 1,188	\$ 1,309	\$ 323	\$ 323	\$ 412	\$ 454	\$ 477	\$ 501	\$ 526	\$ 552
Accrued expenses and other current liabilities	22,007	19,131	19,895	21,911	22,147	21,911	26,919	31,162	32,721	34,357	36,074	37,878
Current portion of note payable, net of discount	13,005	10,161		2,027	11,763	11,763	15,012	16,551	17,379	18,248	19,160	20,118
<b>Total current liabilities</b>	<b>35,312</b>	<b>29,571</b>	<b>21,083</b>	<b>25,247</b>	<b>34,232</b>	<b>34,232</b>	<b>43,690</b>	<b>48,168</b>	<b>50,576</b>	<b>53,105</b>	<b>55,761</b>	<b>58,549</b>
Note payable, net of current portion and discount			20,299	22,295		-	-					
Warrant liability	1,945	4,550			5,267	5,267	6,722	7,411	7,782	8,171	8,580	9,009
Other liabilities						-	-					
<b>Total long term liabilities</b>		<b>4,550</b>	<b>20,299</b>	<b>22,295</b>	<b>5,267</b>	<b>5,267</b>	<b>6,722</b>	<b>7,411</b>	<b>7,782</b>	<b>8,171</b>	<b>8,580</b>	<b>9,009</b>
Stockholders' deficit:												
Common stock, \$.0001 par value; 100,000,000 shares			3	3								
Additional paid-in-capital	-	-	348,600	349,677.00								
Accumulated deficit	(277,301)	(296,247)	(308,855)	(10)		-	-					
Total stockholders' deficit	(277,301)	(296,247)	39,748	(326,276)		-	-					
<b>Total liabilities, convertible preferred stock and</b>		<b>(298,462)</b>	<b>79,496</b>	<b>23,394</b>								
<b>Total liabilities and equity</b>	<b>\$ 12,758</b>	<b>\$ 31,906</b>	<b>\$ 81,130</b>	<b>\$ 70,936</b>	<b>\$ (6,111)</b>	<b>\$ (6,111)</b>	<b>\$ (3,253)</b>	<b>\$ 6,421</b>	<b>\$ 48,845</b>	<b>\$ 174,910</b>	<b>\$ 335,564</b>	<b>\$ 530,176</b>

Source: Company reports, Canaccord Genuity, Inc.

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Figure 4: Radius statement of cash flows

Statements of Cash Flows												
(000's) [FY - DEC]	2013A	1Q14A	2Q14A	3Q14A	4Q14E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
CASH FLOWS USED IN OPERATING ACTIVITIES:												
Net loss	\$ (60,690)	\$ (14,488)	\$ (12,609)	\$ (17,420)	\$ (18,404)	\$ (62,921)	\$ (88,363)	\$ (54,048)	\$ 39,303	\$ 122,961	\$ 157,568	\$ 191,545
Adjustments to reconcile net loss to net cash used in operating activities:												
Depreciation and amortization	27	16	17	36	36	105	144	144	144	144	144	144
Amortization of premium (accretion of discount) on short-term investments	27			183								
Stock-based compensation expense	1,508	511	1,304	745	745	3,305	2,980	2,980	2,980	2,980	2,980	2,980
Research and development expense settled in stock	13,118	2,717	0	0	0	2,717	0	0	0	0	0	0
Change in fair value of other current assets, warrant liability and other liabilities	(9,087)	2233	-1728	0		505	0					
Milestone payment settled with stock												
Non-cash interest	387	63	64	85	85	297	340	340	340	340	340	340
Changes in operating assets and liabilities:			57	0								
Prepaid expenses and other current assets	1,721	(690)	(730)	575	(1,269)	(2,114)	(732)	(346)	(186)	(196)	(205)	(216)
Other long-term assets			(150)	0								
Accounts payable	(250)	(21)	909	121	(986)	23	89	42	23	24	25	26
Accrued expenses and other current liabilities	8,222	2,453	801	2,975	(236)	5,993	0					
<b>Cash flow from operations</b>	<b>(45,017)</b>	<b>(7,206)</b>	<b>(12,065)</b>	<b>(12,700)</b>	<b>(20,028)</b>	<b>(51,999)</b>	<b>(85,541)</b>	<b>(50,889)</b>	<b>42,604</b>	<b>126,253</b>	<b>160,851</b>	<b>194,820</b>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:												
Proceeds from sale of equipment	(2)		(29)	(685)		(714)	-					
Purchases of marketable securities	(17,070)		(30,649)	(22,656)		(53,305)	-					
Sales and maturities of marketable securities	21,043	-		1,065		1,065	-					
<b>Cash flow from investing</b>	<b>3,971</b>	<b>-</b>	<b>(30,678)</b>	<b>(22,276)</b>	<b>-</b>	<b>(52,954)</b>	<b>-</b>	<b>-</b>				
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:												
Proceeds from exercise of stock options	13					-	-					
Proceeds from issuance of common stock			51,332	(895)		50,437	100,000	50,000				
Proceed from note payable, net			20,568	3,987								
Payments on note payable	(8,187)	(2,907)	(10,249)	-		(13,156)	-					
Proceeds from the issuance of preferred stock, net	42,870	27,368	-	-		27,368	-					
Proceeds from note payable						-	-					
Discount on note payable						-	-					
Deferred financing costs			(95)	(21)		(116)	-					
<b>Cash flow from financing</b>	<b>34,696</b>	<b>24,461</b>	<b>61,556</b>	<b>3,071</b>	<b>-</b>	<b>89,088</b>	<b>100,000</b>	<b>50,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,350)	17,255	18,813	(31,905)	(20,028)	(15,865)	14,459	(889)	42,604	126,253	160,851	194,820
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	18,653	12,303	29,558	48,371	16,466	12,303	(3,562)	10,897	10,008	52,611	178,865	339,716
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 12,303</b>	<b>\$ 29,558</b>	<b>\$ 48,371</b>	<b>\$ 16,466</b>	<b>\$ (3,562)</b>	<b>\$ (3,562)</b>	<b>\$ 10,897</b>	<b>\$ 10,008</b>	<b>\$ 52,611</b>	<b>\$ 178,865</b>	<b>\$ 339,716</b>	<b>\$ 534,536</b>

Source: Company reports, Canaccord Genuity, Inc.

**Investment risks**

Risks to our outlook and price target include the following: the Phase 3 study for abaloparatide in osteoporosis may be negative, or fail to meet investor expectations, resulting in downside to shares and our price target. Also, Phase 3 data may be positive in terms of efficacy, but show an unexpected safety signal, also resulting in downside to our price target. Antibody formation was seen in Phase 2 studies, with one patient showing potential evidence of neutralizing antibodies.

Even assuming positive Phase 3 data for subcutaneous abaloparatide in osteoporosis, FDA approval may be delayed or may not occur at all, also resulting in downside to shares and our price target. FDA may also grant approval, but require large, lengthy and expensive post-approval studies, which could also result in downside to shares and our price target.

Clinical data from other osteoporosis products including anti-sclerostin antibodies from Amgen, Merck, Eli Lilly and Novartis could be viewed as superior to abaloparatide, pressuring shares. Competition from existing and new osteoporosis products could also result in lower revenues than expected, leading to downside to our estimates and the share price.

Although unlikely, a paragraph 4 challenge could be filed against Lilly's Forteo, a molecule closely related to abaloparatide, which investors may interpret as increasing risk for abaloparatide, and pressuring Radius shares. Forteo was approved as an NDA, where the ANDA pathway is well established. Even though Forteo is essentially a biologic, since it is a peptide, it is feasible although unlikely that a generic challenger could emerge. FDA has approved a generic version of Lovenox, a biologic approved via the NDA pathway, although the process took many years. If a generic version of Forteo were to reach the market, usage of abaloparatide could decline, resulting in downside to our estimates and price target. Also, if FDA were to approve a generic version of Copaxone, a peptide used to treat multiple sclerosis, investors may see increased risk of a generic challenge and approval for abaloparatide, as both products are classified as NDA filings for biologic peptides.

A transdermal microneedle formulation for abaloparatide may not be feasible, which investors may view as negative for life cycle management and commercial competitive positioning for Radius, pressuring shares. Even if a microneedle formulation can be developed to show equal efficacy to the subcutaneous formulation, FDA may require a full clinical study versus a bridging study, which would require additional funding and time to approval.

**APPENDIX: IMPORTANT DISCLOSURES****Analyst Certification:**

Each authoring analyst of Canaccord Genuity whose name appears on the front page of this research hereby certifies that (i) the recommendations and opinions expressed in this research accurately reflect the authoring analyst's personal, independent and objective views about any and all of the designated investments or relevant issuers discussed herein that are within such authoring analyst's coverage universe and (ii) no part of the authoring analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in the research.

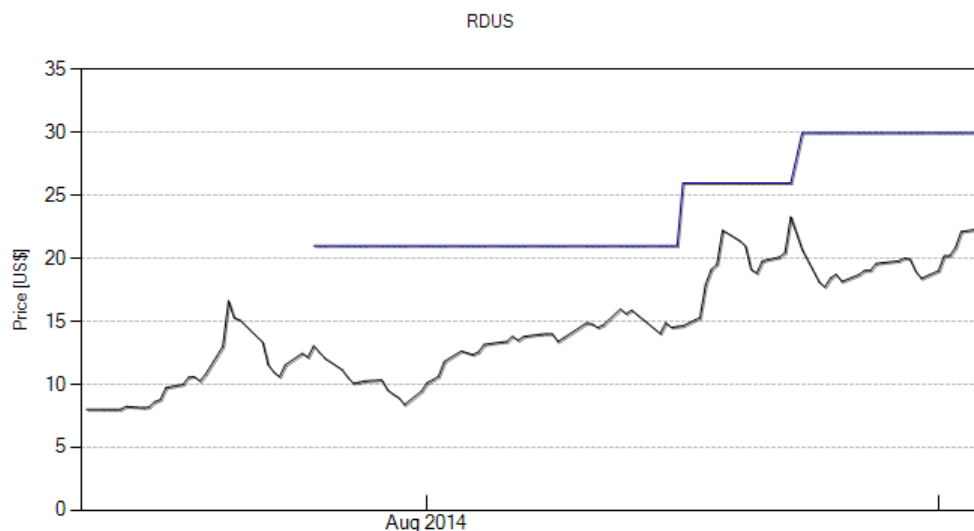
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**Site Visit:**

An analyst has visited Radius Health's material operations in Cambridge, Massachusetts. No payment or reimbursement was received from the issuer for the related travel costs.

**Price Chart:\***

— Market Price  
— Target Price

Date	Analyst	Rating	Target Price	Date	Analyst	Rating	Target Price
1) 07/16/2014	Newman	Buy	21.00	3) 10/10/2014	Newman	Buy	30.00
2) 09/18/2014	Newman	Buy	26.00				

\*Price charts assume event 1 indicates initiation of coverage or the beginning of the measurement period.

**Distribution of Ratings:**

Global Stock Ratings  
(as of 1 October 2014)

Coverage Universe			IB Clients
Rating	#	%	%
Buy	627	60.2%	36.7%
Speculative Buy	53	5.1%	54.7%

Hold	317	30.5%	13.9%
Sell	43	4.1%	2.3%
	1041	100.0%	

\*Total includes stocks that are Under Review

**Canaccord Genuity  
Ratings System:**

**BUY:** The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.

**HOLD:** The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

**SELL:** The stock is expected to generate negative risk-adjusted returns during the next 12 months.

**NOT RATED:** Canaccord Genuity does not provide research coverage of the relevant issuer.

"Risk-adjusted return" refers to the expected return in relation to the amount of risk associated with the designated investment or the relevant issuer.

**Risk Qualifier:**

**SPECULATIVE:** Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

**Canaccord Genuity Research Disclosures as of 11 November 2014**

Company	Disclosure
Radius Health	1A, 2, 3, 5, 7

- 1 The relevant issuer currently is, or in the past 12 months was, a client of Canaccord Genuity or its affiliated companies. During this period, Canaccord Genuity or its affiliated companies provided the following services to the relevant issuer:  
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C. non-securities related services.
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