

### Biotechnology

**RDUS - NASDAQ**

June 1, 2015

**Closing Price 05/29/2015**

**\$48.22**

Rating: Buy  
12-Month Target Price: \$50.00  
52-Week Range: \$7.46 - \$51.22  
Market Cap (M): \$1,827  
Shares O/S (M): 38  
Float: 70.6%  
Avg. Daily Volume (000): 426  
Dividend: \$0.00  
Dividend Yield: 0.00%  
Risk Profile: High  
Fiscal Year End: December

#### Total Revenues ('000)

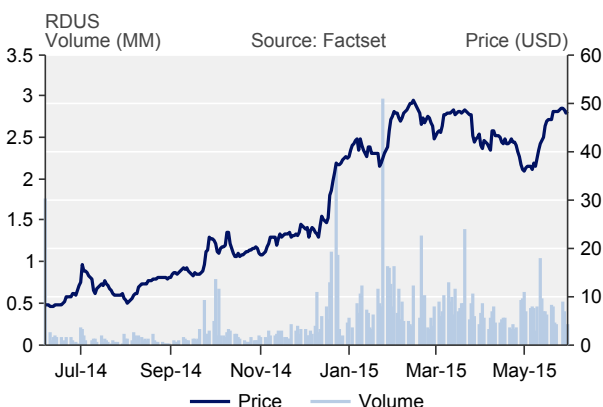
	2015E	2016E	2017E
1Q	0A	21,531	41,047
2Q	0	24,340	46,401
3Q	0	22,468	42,832
4Q	0	25,276	48,186
FY	0	93,615	178,466

#### GAAP Net Income (loss) ('000)

	2015E	2016E	2017E
1Q	(17,057)A	(1,195)	12,575
2Q	(17,500)	(1,351)	14,215
3Q	(18,500)	(1,247)	13,122
4Q	(19,500)	(1,403)	14,762
FY	(71,815)	(5,195)	54,673

#### GAAP EPS

	2015E	2016E	2017E
1Q	(0.47)A	(0.03)	0.34
2Q	(0.48)	(0.04)	0.39
3Q	(0.51)	(0.03)	0.36
4Q	(0.54)	(0.04)	0.40
FY	(2.00)	(0.14)	1.49



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## Radius Health, Inc.

**Buy**

### Looking Towards Commercialization of Abaloparatide-SC

#### Summary

- Radius announced the company has engaged Myrtle Potter and Company, LLC., to support the development of commercial strategy for Abaloparatide-SC, Radius' lead product for the treatment of post-menopausal osteoporosis.
- The final fracture data is coming this month which should support Abaloparatide-SC NDA and MAA applications (2H15). The news could be enough of a positive catalyst to stock to push over our target. Recall that our target already assumes approval and commercialization (market share), much of which is already factored into the company's current valuation.
- Though Abaloparatide-SC improves osteoporosis fracture and fracture risk in bones, where Forteo is less effective, we believe the launch ramp and revenues will be a hard fought battle to gain share.
- Why? Incremental gains over Forteo may not be enough to drive conversion nor expand the fracture market that Forteo has had 12+ years to develop, resulting in only \$700M in US revenues in 2014.
- We expect biosimilar Forteo to enter the market in both Europe and the US in 2018. Could the gains over Forteo be enough to tip the balance in Radius' favor? How significant is an improved safety profile in driving adoption? Will payers opt for a cheaper biosimilar Forteo? These are questions for YE2016. For now our price target is unchanged and our thesis remains to buy into approval and launch. Maintain Buy Rating and \$50 PT.

#### Details

**Building bone for osteoporosis.** The only anabolic approved for osteoporosis is Forteo, a synthetic peptide of parathyroid hormone (PTH), teriparatide, which has a limited window of efficacy and side effects. Radius has developed a synthetic peptide of parathyroid hormone-related protein (PTHrP), abaloparatide-SC, a structurally similar peptide that drives a very different molecular outcome and may result in a potentially safer and more purely anabolic (bone building) therapeutic for osteoporosis.

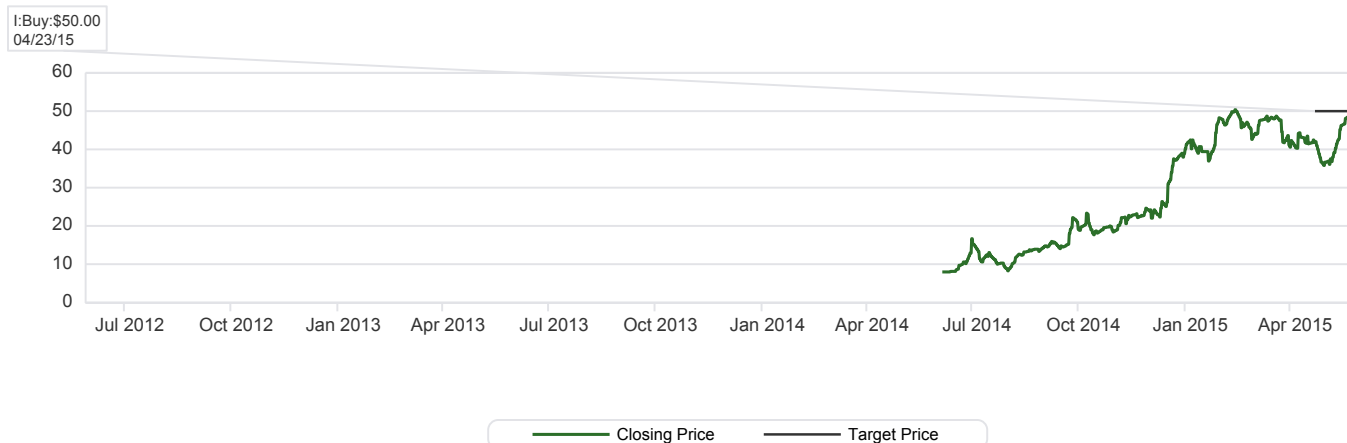
**Abaloparatide-SC beat Forteo in a Phase III study.** The phase III ACTIVE study showed osteoporosis subjects treated with abaloparatide-SC (vs placebo) had an 86% reduction in vertebral fractures (0.58% fracture rate) compared to an 80% reduction (0.84% fracture rate) with Forteo (open-label, active control). An 86% reduction in vertebral fracture is the largest reduction ever reported vs placebo. Though, the difference in vertebral fracture reduction between abaloparatide and Forteo was not statistically significant, improvements in multiple secondary endpoints, including increased bone mineral density (BMD), non-vertebral fracture rate, time to fracture, and reduced hypercalcemia were. Most important, is that abaloparatide is building bone density and reducing fractures in bones where Forteo is not as efficacious (wrist, hip). An extension study (ACTIVEExtend) should add the additional 6 months of fracture data (24 month total) for NDA and MAA submissions (2H15). We expect final fracture data to be announced late 2Q15. Abaloparatide could launch in mid-2016.

**Valuation.** We expect abaloparatide-SC to launch in 2016 in the U.S. and Europe. We apply risk cuts for RAD1901 in breast cancer and vasomotor symptoms due to the early development stage. With the likelihood of abaloparatide approval, we apply a 15% discount rate to our free cash flow, discounted EPS, and sum-of-the-parts models, which points to a \$50.00 price target.

## DISCLOSURES

## Radius Health, Inc. Rating History as of 05/29/2015

powered by: BlueMatrix



## Maxim Group LLC Ratings Distribution

As of: 05/31/15

		% of Coverage Universe with Rating	% of Rating for which Firm Provided Banking Services in the Last 12 months
<b>Buy</b>	Fundamental metrics and/or identifiable catalysts exist such that we expect the stock to outperform its relevant index over the next 12 months.	77%	44%
<b>Hold</b>	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.	21%	13%
<b>Sell</b>	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.

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

**Valuation Methods**

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 arrive our price target.

**Price Target and Investment Risks**

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 profitability. 4) Commercial: Radius products (if approved) may not be successful in the market.

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**RISK RATINGS**

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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.

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

**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

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