Radius Health

RDUS : NASDAQ : US$19.80

BUY

Target: US$30.00

John Newman, PhD - Canaccord Genuity Inc. (US)
JNewman@canaccordgenuity.com 212.389.8042

COMPANY STATISTICS:

Forecast Return:	52%
Shares Out (M):	26.0
Market Cap (M):	US$514.8
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)	(54.39)	(2.78)	(1.53)
Revenue (M):	Q1	0.0	0.0	0.0A	-
	Q2	0.0	0.0	0.0A	-
	Q3	0.0	0.0	0.0	-
	Q4	0.0	0.0	0.0	-
Total		0.0	0.0	0.0	82.1
EPS:	Q1		(50.45)	(0.70)A	-
	Q2		(2.22)	(0.77)A	-
	Q3	0.00	(0.88)	(0.69)	-
	Q4	0.00	(0.84)	(0.62)	-
Total		(3.97)	(54.39)	(2.78)	(1.53)

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

ODANACATIB DELAY CONTRASTS WITH CLEAN SAFETY PROFILE FOR ABALOPARATIDE

Investment highlights

Odanacatib safety reporting needs work, filing delayed to 2015

Merck will delay its NDA filing for odanacatib to 2015, citing an agreement with FDA to better characterize adverse event reporting, which we believe is related to a higher rate of stroke vs. placebo seen in Phase 3 (1.4% vs. 1.1%, hazard ratio 1.28). We believe the delay reflects FDA's strong concern regarding safety in osteoporosis.

Abaloparatide safety clean, should aid regulatory path

Abaloparatide data to date suggest a good safety profile, with 50% less hypercalcemia vs. Forteo, and similar osteosarcoma risk, which we believe will be well-received by FDA.

Odanacatib and abaloparatide target different markets

Importantly, our abaloparatide revenues are tied to share gains from Forteo only, not the broader lower-risk osteoporosis market where odanacatib may be used. We do not expect that odanacatib would be used in higher risk patients due to its slower action in building bone.

Expect positive Phase 3 abaloparatide data YE14

We continue to expect positive Phase 3 data for abaloparatide vs. placebo and Forteo by YE14, which should move shares higher. We expect positive vertebral and non-vertebral fracture data for abaloparatide vs. placebo at 18 months.

VALUATION

Figure 1: Radius valuation

Product	Peak Sales ($MM)	Year	NPV at launch	Probability Adjustment	Current Value ($MM)	Scenario probability	Value / Share
abaloparatide							
US	$822	2022	$1,317	65%	$670	100%	$23
Ex-US - co-promote	$346	2021	$410	65%	$182	50%	$3
Ex-US - royalty	$346	2021	$196	65%	$127	50%	$2
Total abaloparatide					**$852**		**$28**
Total Product Value					852		$28
Cash					60		$2
Total Equity Value					**912**		**$30**
Shares Outstanding (MM)					29		

Risk-Free Rate	3.0%
Beta	1.8
Risk Premium	5%
Discount Rate	12%

Source: Canaccord Genuity, Inc. estimates

Figure 2: Radius income statement

Radius Health, Inc.

(000's) [FY - DEC]

Revenues	2013A	1Q14A	2Q14A	3Q14E	4Q14E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
abaloparatide - US								82,120	239,867	357,419	465,944	583,042
abaloparatide - Ex-US								-	90,548	204,751	251,503	298,717
Total								**82,120**	**330,415**	**562,170**	**717,447**	**881,759**

Income Statement	2013A	1Q14A	2Q14A	3Q14E	4Q14E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Total Revenue	-	-	-	-	-	-	-	82,120	264,315	457,747	594,210	738,375
COGS	-	-	-	-	-	-	-	16,424	52,863	91,549	118,842	147,675
Gross Profit	-	-	-	-	-	-	-	65,696	211,452	366,198	475,368	590,700
Operating Expenses												
Research and development	60,536	9,717	10,618	14,142	18,096	52,573	78,094	63,671	60,593	70,860	90,593	124,479
abaloparatide-SC	45,977	8,107	9,728	11,674	14,009	43,518	31,170	21,819	15,273	15,273	15,273	15,273
abaloparatide-TD	11,459	185	278	416	624	1,503	24,975	17,483	12,238	8,566	5,996	4,198
RAD1901	-	-			1,000	1,000	12,100	14,520	23,232	37,171	59,474	95,158
RAD140	-	-				-	-					
other	3,100	1,425	1,710	2,052	2,462	7,649	9,850	9,850	9,850	9,850	9,850	9,850
General and administrative	6,829	2,139	3,070	2,500	2,700	10,409	13,200	57,484	85,902	102,993	133,697	166,134
Total Operating Expense	67,365	11,856	13,688	16,642	20,796	62,982	91,294	121,155	146,495	173,854	224,291	290,613
EBITDA												
Operating income	(67,365)	(11,856)	(13,688)	(16,642)	(20,796)	(62,982)	(91,294)	(55,459)	64,957	192,344	251,078	300,087
Other income (expense), net	9,085	(2,233)	1,727	1,727	1,727	2,948	9,350	2,948	9,350	2,948	9,350	2,948
Loss on retirement of note payable			(203)									
Interest (expense) income, net	(2,410)	(399)	(445)	(445)	(445)	(1,734)	(4,358)	(1,734)	(4,358)	(1,734)	(4,358)	(1,734)
Accretion of preferred stock		(4,969)	(4,031)									
Pre-tax income (GAAP)	(60,690)	(19,457)	(16,640)	(15,360)	(19,514)	(70,971)	(86,302)	(54,245)	69,949	193,558	256,070	301,301
Pre-tax income (non-GAAP)												
Taxes (GAAP)	-	-	-	-	-	-	-	-	25,881	71,617	94,746	111,481
Tax rate (GAAP)	37%	37%	37%	37%	37%	37%	37%	37%	37%	37%	37%	37%
Net Income (GAAP)	(60,690)	(19,457)	(16,640)	(15,360)	(19,514)	(70,971)	(86,302)	(54,245)	44,068	121,942	161,324	189,820
GAAP EPS (diluted)	**($3.97)**	**($50.45)**	**($2.22)**	**($0.88)**	**($0.84)**	**($54.39)**	**($2.78)**	**($1.53)**	**$1.18**	**$3.11**	**$3.92**	**$4.39**
Diluted shares outstanding	15,278	386	7,500	17,400	23,200	12,121	31,539	35,562	37,340	39,207	41,167	43,226

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 been 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 that 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

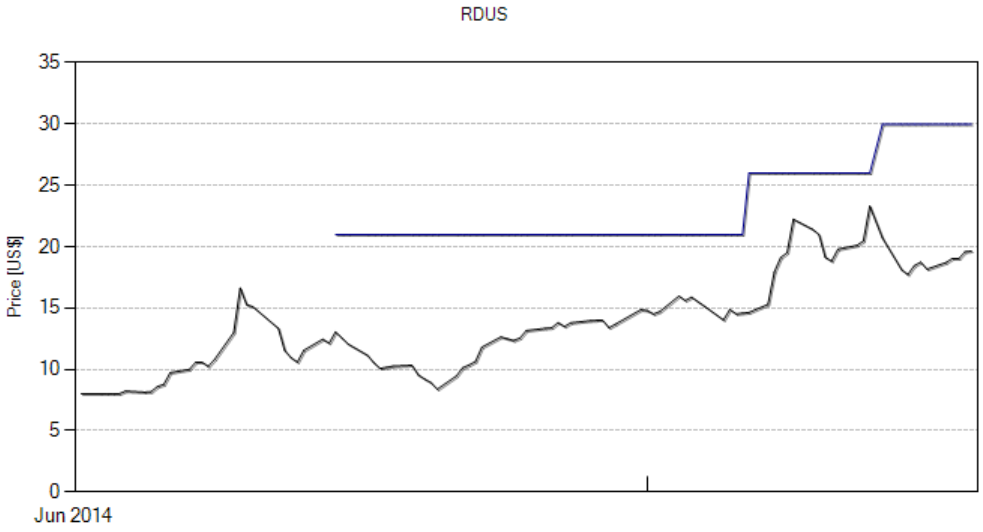
Analyst Certification: Each authoring analyst of Canaccord Genuity whose name appears on the front page of this research hereby certifies that (i) the recommendations and opinions expressed in this research accurately reflect the authoring analyst's personal, independent and objective views about any 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.

Analysts employed outside the US are not registered as research analysts with FINRA. These analysts may not be associated persons of Canaccord Genuity Inc. and therefore may not be subject to the NASD Rule 2711 and NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Compendium Report: If this report covers six or more subject companies, it is a compendium report and Canaccord Genuity and its affiliated companies hereby direct the reader to the specific disclosures related to the subject companies discussed in this report, which may be obtained at the following website (provided as a hyperlink if this report is being read electronically) http://disclosures.canaccordgenuity.com/EN/Pages/default.aspx; or by sending a request to Canaccord Genuity Corp. Research, Attn: Disclosures, P.O. Box 10337 Pacific Centre, 2200-609 Granville Street, Vancouver, BC, Canada V7Y 1H2; or by sending a request by email to disclosures@canaccordgenuity.com. The reader may also obtain a copy of Canaccord Genuity's policies and procedures regarding the dissemination of research by following the steps outlined above.

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:*



	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 27 October 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: A. investment banking services. B. non-investment banking securities-related services. C. non-securities related services.
2	In the past 12 months, Canaccord Genuity or its affiliated companies have received compensation for Corporate Finance/Investment Banking services from the relevant issuer.
3	In the past 12 months, Canaccord Genuity or any of its affiliated companies have been lead manager, co-lead manager or co-manager of a public offering of securities of the relevant issuer or any publicly disclosed offer of securities of the relevant issuer or in any related derivatives.
4	Canaccord Genuity acts as corporate broker for the relevant issuer and/or Canaccord Genuity or any of its affiliated companies may have an agreement with the relevant issuer relating to the provision of Corporate Finance/Investment Banking services.
5	Canaccord Genuity or one or more of its affiliated companies is a market maker or liquidity provider in the securities of the relevant issuer or in any related derivatives.
6	In the past 12 months, Canaccord Genuity, its partners, affiliated companies, officers or directors, or any authoring analyst involved in the preparation of this research has provided services to the relevant issuer for remuneration, other than normal course investment advisory or trade execution services.
7	Canaccord Genuity or one or more of its affiliated companies intend to seek or expect to receive compensation for Corporate Finance/Investment Banking services from the relevant issuer in the next six months.
8	The authoring analyst, a member of the authoring analyst's household, or any individual directly involved in the preparation of this research, has a long position in the shares or derivatives, or has any other financial interest in the relevant issuer, the value of which increases as the value of the underlying equity increases.
9	The authoring analyst, a member of the authoring analyst's household, or any individual directly involved in the preparation of this research, has a short position in the shares or derivatives, or has any other financial interest in the relevant issuer, the value of which increases as the value of the underlying equity decreases.
10	Those persons identified as the author(s) of this research, or any individual involved in the preparation of this research, have purchased/received shares in the relevant issuer prior to a public offering of those shares, and such person's name and details are disclosed above.
11	A partner, director, officer, employee or agent of Canaccord Genuity or its affiliated companies, or a member of his/her household, is an officer, or director, or serves as an advisor or board member of the relevant issuer and/or one of its subsidiaries, and such person's name is disclosed above.
12	As of the month end immediately preceding the date of publication of this research, or the prior month end if publication is within 10 days following a month end, Canaccord Genuity or its affiliated companies, in the aggregate, beneficially owned 1% or more of any class of the total issued share capital or other common equity securities of the relevant issuer or held any other financial interests in the relevant issuer which are significant in relation to the research (as disclosed above).

13	As of the month end immediately preceding the date of publication of this research, or the prior month end if publication is within 10 days following a month end, the relevant issuer owned 1% or more of any class of the total issued share capital in Canaccord Genuity or any of its affiliated companies.
14	Other specific disclosures as described above.

"Canaccord Genuity" is the business name used by certain wholly owned subsidiaries of Canaccord Genuity Group Inc., including Canaccord Genuity Inc., Canaccord Genuity Limited, Canaccord Genuity Corp., and Canaccord Genuity (Australia) Limited, an affiliated company that is 50%-owned by Canaccord Genuity Group Inc.

The authoring analysts who are responsible for the preparation of this research are employed by Canaccord Genuity Corp. a Canadian broker-dealer with principal offices located in Vancouver, Calgary, Toronto, Montreal, or Canaccord Genuity Inc., a US broker-dealer with principal offices located in New York, Boston, San Francisco and Houston, or Canaccord Genuity Limited., a UK broker-dealer with principal offices located in London (UK) and Dublin (Ireland), or Canaccord Genuity (Australia) Limited, an Australian broker-dealer with principal offices located in Sydney and Melbourne.

The authoring analysts who are responsible for the preparation of this research have received (or will receive) compensation based upon (among other factors) the Corporate Finance/Investment Banking revenues and general profits of Canaccord Genuity. However, such authoring analysts have not received, and will not receive, compensation that is directly based upon or linked to one or more specific Corporate Finance/Investment Banking activities, or to recommendations contained in the research.

Canaccord Genuity and its affiliated companies may have a Corporate Finance/Investment Banking or other relationship with the issuer that is the subject of this research and may trade in any of the designated investments mentioned herein either for their own account or the accounts of their customers, in good faith or in the normal course of market making. Accordingly, Canaccord Genuity or their affiliated companies, principals or employees (other than the authoring analyst(s) who prepared this research) may at any time have a long or short position in any such designated investments, related designated investments or in options, futures or other derivative instruments based thereon.

Some regulators require that a firm must establish, implement and make available a policy for managing conflicts of interest arising as a result of publication or distribution of research. This research has been prepared in accordance with Canaccord Genuity's policy on managing conflicts of interest, and information barriers or firewalls have been used where appropriate. Canaccord Genuity's policy is available upon request.

The information contained in this research has been compiled by Canaccord Genuity from sources believed to be reliable, but (with the exception of the information about Canaccord Genuity) no representation or warranty, express or implied, is made by Canaccord Genuity, its affiliated companies or any other person as to its fairness, accuracy, completeness or correctness. Canaccord Genuity has not independently verified the facts, assumptions, and estimates contained herein. All estimates, opinions and other information contained in this research constitute Canaccord Genuity's judgement as of the date of this research, are subject to change without notice and are provided in good faith but without legal responsibility or liability.

Canaccord Genuity's salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desk that reflect opinions that are contrary to the opinions expressed in this research. Canaccord Genuity's affiliates, principal trading desk, and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this research.

This research is provided for information purposes only and does not constitute an offer or solicitation to buy or sell any designated investments discussed herein in any jurisdiction where such offer or solicitation would be prohibited. As a result, the designated investments discussed in this research may not be eligible for sale in some jurisdictions. This research is not, and under no circumstances should be construed as, a solicitation to act as a securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. This material is prepared for general circulation to clients and does not have regard to the investment objectives, financial situation or particular needs of any particular person. Investors should obtain advice based on their own individual circumstances before making an investment decision. To the fullest extent permitted by law, none of Canaccord Genuity, its affiliated companies or any other person accepts any liability whatsoever for any direct or consequential loss arising from or relating to any use of the information contained in this research.

For Canadian Residents: This research has been approved by Canaccord Genuity Corp., which accepts sole responsibility for this research and its dissemination in Canada. Canadian clients wishing to effect transactions in any designated investment discussed should do so through a qualified salesperson of Canaccord Genuity Corp. in their particular province or territory.

For United States Residents: Canaccord Genuity Inc., a US registered broker-dealer, accepts responsibility for this research and its dissemination in the United States. This research is intended for distribution in the United States only to certain US institutional investors. US clients wishing to effect transactions in any designated investment

discussed should do so through a qualified salesperson of Canaccord Genuity Inc. Analysts employed outside the US, as specifically indicated elsewhere in this report, are not registered as research analysts with FINRA. These analysts may not be associated persons of Canaccord Genuity Inc. and therefore may not be subject to the NASD Rule 2711 and NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

For United Kingdom and European Residents:

This research is distributed in the United Kingdom and elsewhere Europe, as third party research by Canaccord Genuity Limited, which is authorized and regulated by the Financial Conduct Authority. This research is for distribution only to persons who are Eligible Counterparties or Professional Clients only and is exempt from the general restrictions in section 21 of the Financial Services and Markets Act 2000 on the communication of invitations or inducements to engage in investment activity on the grounds that it is being distributed in the United Kingdom only to persons of a kind described in Article 19(5) (Investment Professionals) and 49(2) (High Net Worth companies, unincorporated associations etc) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended). It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. This material is not for distribution in the United Kingdom or elsewhere in Europe to retail clients, as defined under the rules of the Financial Conduct Authority.

For Jersey, Guernsey and Isle of Man Residents:

This research is sent to you by Canaccord Genuity Wealth (International) Limited (CGWI) for information purposes and is not to be construed as a solicitation or an offer to purchase or sell investments or related financial instruments. This research has been produced by an affiliate of CGWI for circulation to its institutional clients and also CGWI. Its contents have been approved by CGWI and we are providing it to you on the basis that we believe it to be of interest to you. This statement should be read in conjunction with your client agreement, CGWI's current terms of business and the other disclosures and disclaimers contained within this research. If you are in any doubt, you should consult your financial adviser.
CGWI is licensed and regulated by the Guernsey Financial Services Commission, the Jersey Financial Services Commission and the Isle of Man Financial Supervision Commission. CGWI is registered in Guernsey and is a wholly owned subsidiary of Canaccord Genuity Group Inc.

For Australian Residents:

This research is distributed in Australia by Canaccord Genuity (Australia) Limited ABN 19 075 071 466 holder of AFS Licence No 234666. To the extent that this research contains any advice, this is limited to general advice only. Recipients should take into account their own personal circumstances before making an investment decision. Clients wishing to effect any transactions in any financial products discussed in the research should do so through a qualified representative of Canaccord Genuity (Australia) Limited. Canaccord Genuity Wealth Management is a division of Canaccord Genuity (Australia) Limited.

For Singapore Residents:

This research is distributed pursuant to 32C of the Financial Advisers under an arrangement between each of the Canaccord Genuity entities that publish research and Canaccord Genuity Singapore Pte. Ltd who are an exempt financial adviser under section 23(1)(d) of the Financial Advisers Act. This research is only intended for persons who fall within the definition of accredited investor, expert investor or institutional investor as defined under section 4A of the Securities and Futures Act It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. Recipients of this report can contact Canaccord Genuity Singapore Pte. Ltd. (Contact Person: Tom Gunnersen's tel # is +852 3919 2561) in respect of any matters arising from, or in connection with, the [analyses or report].

For Hong Kong Residents:

This research is distributed in Hong Kong by Canaccord Genuity (Hong Kong) Limited who is licensed by the Securities and Futures Commission. This research is only intended for persons who fall within the definition of professional investor as defined in the Securities and Futures Ordinance. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. Recipients of this report can contact Canaccord Genuity (Hong Kong). Ltd. (Contact Person: Tom Gunnersen's tel # is +852 3919 2561) in respect of any matters arising from, or in connection with, the research.

Additional information is available on request.

listed above.