



Call Activity and IV Jumps in Radius Health

Ticker/Price: RDUS (\$28.50)

Analysis:

Radius Health (RDUS) buyers early in the October \$30 and \$35 calls and now the latter up over 5200X on the day while 1395 of the April \$30 calls bought up to \$5.60. RDUS has seen buyers recently in the October \$30 calls while the October \$20 puts sold to open 1000X. In May, the January \$35 calls bought 1500X for \$4.20 and remain in OI. RDUS with a nice bull flag forming under \$29 with a small measured move to \$31/\$32 as it remains above the 8-EMA. Longer-term, RDUS is working out of a 12-month base with a big VPOC above at \$35/\$40. The \$1.3B company trades 9.77X sales and 6.89X cash with 40% and then 20.6% revenue growth forecast the next two years. The company's osteoporosis treatment Tymlos was approved by the FDA in 2017 and in August they announced a Phase 3 study looking at a wearable patch version of the treatment. Earlier assessment studies have shown high patient acceptability vs the injectable version. RDUS hopes the patch will greatly expand their share in the large TAM (40K to 50K patients treated with anabolic drugs), especially among needle-averse or needle-phobic patients. RDUS believes the patch could help them overtake Eli Lilly's (LLY) Forteo which current has around 80% of the market. Analysts have an average target for shares of \$39. Citi upgrading to Buy on 8-29 with a \$40 PT. The firm sees fair value as high as \$100 if the patch works as it doubles their market and could drive \$830M in combined sales by 2028. Goldman upgrading to Buy earlier this year seeing Tymlos continuing to gain share while elacestrant provides attractive optionality. Short interest is 14.9% but down from 25.9% in April 2018. Hedge Fund ownership fell 13% in Q2. Farallon Capital, Rubric Capital, and DE Shaw top holders. In June, the SVP of Sales and Marketing bought stock at \$21.81 on the open market while others bought in March around \$19.25.

Hawk Vision:



Hawk's Perspective: RDUS price-action IV move, and call activity is looking very suspicious and thinking this may be a M&A target.

Confidence Ranking: \$\$