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Quarterly Update

August 30th, 2017

Cellect Biotechnology Ltd.: Company's clinical development on track; we expect positive interim results in the coming months. Target Price unchanged.

Primary exchange: TASE (Till Sept 3rd, 2017).

Symbol: TASE, NASDAQ: "APOP"

Sector: Biotechnology

Sub-sector: Stem cells

Stock target price: NIS 2.70

Data as of August 29th, 2017

(Source: TASE website):

Closing price: NIS 1.29

Market cap: NIS 141.1 m

# of shares: 109.2 m

Stock performance (YTD): 43%

Daily-trading-vol. (12 months): NIS 605k

Kobi Hazan - Lead Analyst

Analysts
Dr. Moria Kwiat*
Dr. Tiran Rothman
Dr. Anna Cirmirakis*

Frost & Sullivan Research & Consulting Ltd.
***) Frost & Sullivan, wholly owns the company**

E-mail: equity.research@frost.com
Tel. :+972-9-9502888

Company overview

Cellect Biotechnology Ltd. (hereinafter: "Cellect" or "the company") is developing a technological platform, the "ApoGraft", which functionally selects stem cells from a mixed population of cells based on their sensitivity to apoptosis. The first product under development is the *Apotainer* selection kit. The company is currently conducting a proof-of-concept phase I/II trial with leukemia patients in Israel, which is expected to be completed by the end of Q3-2018. Based on trial results and safety issues, the company plans to integrate its technology into a range of procedures that utilize stem cells, as well as into the manufacturing process of adult stem cells, itself.

Important note

On June 7, 2017, the Company announced that its last trading day on the Tel Aviv Stock Exchange (TASE) will be September 3, 2017, and that the de-listing date will be September 5, 2017 as per the Company's voluntary request (see more information in this document). Shares of the Company will continue to be traded on NASDAQ in the form of American Depository Shares (hereinafter ADSs). Hence, Frost & Sullivan Research & Consulting Services Ltd. will cease to analyze Cellect in the framework of the TASE analysis program from said date. We may continue to analyze the company independent of this program.

Highlights

On August 21st, the company published its Q2 2017 report, which included the following events:

- Cellect initiated a phase I/II study on cancer patients undergoing matched related allogeneic HSCT and reported positive results in the first patient, and approval was granted thereafter to recruit two additional patients;
- Cellect held a positive pre-IND meeting with the FDA;
- A major patent covering the composition of matter and use of the *Apotainer* was issued in the US and Russia;
- Collaboration with Entegris was further consolidated by receiving the BIRD foundation non-equity grant, accelerating development of the *Apotainer*.

Analysis:

- Scientifically, the Company is on track with its plans, as covered in our reports, primarily the initiation report dated April 27, 2017. We expect ApoGraft POC interim results to be reported in the coming months.
- Financially, we believe that in its current capital structure, resources are sufficient to support Cellect's operations through the end of Q2 2018. However, we assume that the company will seek further financing to support current activities.
- **We estimate the company's equity value at $80.1 million/NIS 290.0 million; and a target price range of NIS 2.47 – NIS 2.95 per share - mean of NIS 2.70.**

Important note

On May 29, 2017, the Company announced that it received Israeli court approval to voluntarily delist the Company's ordinary shares from the Tel-Aviv Stock Exchange (TASE) in accordance with Section 350 of Israeli Company Law. The court's decision followed approval of Company's shareholders on May 9, 2017.

On June 7, 2017, the Company announced that its last trading day on the Tel Aviv Stock Exchange (TASE) will be September 3, 2017, and that the de-listing date will be September 5, 2017 as per the Company's voluntary request (see more information in this document). Shares of the Company will continue to be traded on NASDAQ in the form of American Depository Shares (hereinafter ADSs). Hence, Frost & Sullivan Research & Consulting Services Ltd. will cease to analyze Cellect in the framework of the TASE analysis program from said date. We may continue to analyze the company independent of this program.

Quarterly Update

The company published a quarterly report on the August 21, 2017. As elaborated below, some **positive scientific and strategic developments were reported and analyzed during the second quarter, however none are major.**

Scientific and strategic developments:

- Cellect initiated a phase I/II study on cancer patients undergoing matched related allogeneic HSCT and reported positive results in the first patient, followed by approval to recruit two more patients.
- Cellect held a positive pre-IND meeting with the FDA. Cellect reported that it is moving ahead with its plan to submit an IND.
- Major patent covering the composition of matter and use of the *Apotainer* was issued in the US and Russia, the collaboration with Entegris was further consolidated by receiving a BIRD foundation non-equity grant, and development of the Apotainer was accelerated.
  Prominent leaders joined the Company (from Harvard Medical School, executives from Pfizer and Merck) and the Company teamed up with Boston-based business development group, Locust-Walk, for planning and launching a business development campaign before the end of the year.

Financial updates:

The company is in its pre-revenues stage. Research and Development expenses for the six months ending June 30, 2017 amounted to $1.5 million, representing an increase of approximately $0.4 million, or 41%, compared to approximately $1.1 million for the six months ending June 30, 2016. The increase was primarily attributed to; an increase of $0.2 million from share based payments as part of the options plan, and increases of approximately $0.23 million in salaries and related personnel expenses. The latter reflects growth in the company's activities, facilitated by growth in R&D personnel from nine employees to fourteen.

General and Administrative expenses totaled $1.7 million for the six months ending June 30, 2017, an increase of $0.7 million, or 71%, compared to approximately $1.0 million for the six months ending June 30, 2016. The increase is primarily a result of the additional $0.15 million in travel expenses, again reflecting corporate growth, specifically in investor relations and business development. Another $0.35 million of the total increase can be attributed to professional services necessary as a public reporting company in the US.

Operating Loss for the six months ending June 30, 2017 was approximately $3.2 million. This figure represents an increase of $1.2 million, or 64%, when compared with an operating loss of $2.0 million for the six months ending June 30, 2016. Financing expenses and income mainly consist of; bank fees and other transaction costs, changes in the fair value of certain price adjustment mechanisms that were provided to investors who participated in certain

funding rounds, and exchange rate differentials. Total Comprehensive Loss for the six months ending June 30, 2017 was approximately $4.9 million, an increase of $2.9 million, or 144%, compared to $2.0 million for the six months ending June 30, 2016.

As of June 30, 2017, the Company had approximately $6.4 million in cash and cash equivalents including short-term deposits and marketable securities. Net cash used in operating activities was $2.5 million for the six months ended June 30, 2017, compared with net cash used in operating activities of approximately $1.9 million for the six months ended June 30, 2016. Increases can be primarily attributed to: increases in ongoing research costs; increases in the number of employees; and ongoing expenses as a result of being a U.S. public reporting company.

Analysis:
Scientifically, the Company is on track with its previous plans as detailed in our initiation report of 27.4.17. Specifically, Cellect initiated its phase I/II study and reported positive results in the first patient, and subsequently received approval to recruit two more patients. We expect ApoGraft POC interim results to be reported in the coming months. Cellect's expected upcoming events are displayed below:

Project	Event	Significance	Timeline
ApoGraft	ApoGraft POC interim results	High	**Q4/2017**
	Completion of ApoTainer prototype	Medium	**Q1/2018**
	ApoGraft POC final results	High	**Q3/2018**

Financially, we believe that in its current capital structure, Cellect's resources are sufficient to support its operations through the end of Q2 2018, under the assumption that the company will seek further financing to support current activities.

To conclude, we estimate the equity value of the company at $80.1 million/NIS 290.0 million; a target price range of NIS 2.47 – NIS 2.95 per share - mean of NIS 2.70.[1]

[1] $1 = NIS 3.62.

Appendix - Financial Reports

Balance Sheet

	In NIS 000s	In $000s	In NIS 000s	In $000s
Current Assets:	**31.12.2016**	**31.12.2016**	**30.06.17**	**30.06.17**
Cash and cash equivalents	6,279	1,633	4,349	1,244
Short term deposits	19,660	5,113	17,867	5,111
Marketable securities	4,997	1,300	-	-
Accounts receivable	1,461	380	1,106	316
Total	**32,397**	**8,426**	**23,322**	**6,671**
Non-Current Assets				
Restricted cash	140	36	305	87
Other long term assets	-	0	119	34
PPE, net	1,373	357	1,305	373
Total Assets	**33,910**	**8,819**	**25,051**	**7,165**
Current Liabilities				
Trade payables	1,401	364	1,521	435
Other accounts payable	2,084	542	1,335	382
Total Liabilities	**3,485**	**906**	**2,856**	**817**
Non-Current Liabilities				
Traded Warrants to ADS	1,938	504	7,251	2,074
Total Liabilities	**5,423**	**1,410**	**10,107**	**2,891**
Total Equity	**28,487**	**7,409**	**14,944**	**4,274**
Total Liabilities	**33,910**	**8,819**	**25,051**	**7,165**

Statement of profit and loss

	In $000s	In NIS 000s	In $000s	In NIS 000s	In NIS 000s	In NIS 000s	In $000s
Reporting Period (ending):	**31.12.2015**		**31.12.2016**		**30.06.16**	**30.06.17**	**30.06.17**
Research and development expenses	1,517	5,893	2,147	8,256	3,679	5,227	1,495
General and administrative expenses	1,082	4,204	2,072	7,968	3,547	6,046	1,729
Other Income	0	0	73	280	280	0	0
Total Operating expenses	**2,598**	**10,097**	**4,146**	**16,224**	**6,946**	**11,273**	**3,224**
Operating loss	**2,598**	**10,097**	**4,073**	**15,944**	**6,946**	**11,273**	**3,224**
Financial income	1	4	172	660	18	40	11
Financial expenses	20	79	9	33	41	5,820	1,665
Total loss	**2,618**	**10,172**	**3,910**	**15,317**	**6,969**	**17,053**	**4,878**

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