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Immediate Report **October 15, 2017**

RedHill Biopharma Ltd.: The acceleration of RHB-104 Phase III Study in Crohn's disease increases company value and share price.

Primary exchange: TASE

Secondary exchange (ADS/share 1:10): NASDAQ

Symbol: TASE, NASDAQ: RDHL

Sector: Biotechnology

Sub-sector: Drug Development

Stock target price: NIS 4.72

As of October 15, 2017 (source: TASE):

Closing price: NIS 3.23

Market cap: NIS 554.5M

# of shares: 171.8M

Stock performance (YTD): -41%

Daily-trading-vol. (12 months): NIS 1.2M

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Company Overview

RedHill Biopharma Ltd. ("RedHill") is an Israeli publicly-traded specialty biopharmaceutical company focused on the development and commercialization of late clinical-stage drugs candidates. The company's primary focus is advanced clinical development and commercialization in the US of orally-administered, proprietary, small molecule drugs for the treatment of gastrointestinal and inflammatory diseases and cancer.

RedHill is currently promoting two gastrointestinal products and is advancing multiple clinical programs: three Phase III for gastrointestinal and inflammation indications; and four Phase II for multiple indications, including multiple myeloma, hepatocellular carcinoma, pancreatic cancer, and irritable bowel syndrome with diarrhea.

Highlights

The company published several announcements on recent milestones and achievements:

- **October 2, 2017 – RedHill accelerates RHB-104 Phase III study in Crohn's disease** with positive trialresults expected mid-2018: the company has curtailed the target sample size in the ongoing first Phase III study with RHB-104 for Crohn's disease (MAP US) from 410 to approximately 325 subjects, of which 322 have been enrolled to date. The company added that the development program will be shortened by approxtopimately one year, with enrollment expected to be completed by November 2017 and clinical trial results expected in mid-2018. RedHill's estimated cost saving is approximately $14M.
- **October 3, 2017 - RedHill announced positive trial results from Phase II Study of BEKINDA®** in patients with diarrhea-predominant irritable bowel syndrome (IBS-D). BEKINDA® 12 mg Phase II study successfully met its primary endpoint. RedHill is designing a confirmatory Phase III study to support a New Drug Application (NDA) for BEKINDA® 24 mg for acute gastroenteritis and gastritis.
- **August 17, 2017 – RedHill announcedthe US commercialization agreement for their FDA-Approved GI Product**, Esomeprazole Strontium Delayed-Release Capsules.

Analysis

- The Company is on track with its clinical and strategic development.
- Redhill added a new GI drug (Esomeprazole) to the two drugs it currently sells in the US.
  We expect these drugs to generate significant revenues by the end of the year. However, as Redhill did not provide drug revenue estimations, we did not incorporate this development into our valuation.
- Positive clinical trial results from Phase II Study (IBS-D) of BEKINDA are already incorporated in our analysis (Q2 2017 analysis report, dated August 8, 2017). We expect positive clinical trialresults from phase III (IBS-D) during 2018.
- RedHillis accelerating its RHB-104 Phase III Study in Crohn's disease. We assume that Redhill will achieve statistically significant results and achieve faster time-to-market.
- **We adoptRedhill'sassumption of positive MAP study results.** However, after demonstrating positive results, RedHill may still be required to conduct additional clinical trials as per an FDA decision based on the results of the MAP study.
- **We assume trial acceleration may bring the drug to the market by 2019/2020. As we do not have any specific information regarding a $14M reduction in R&D expenses, we included a modest reduction, in addition to a faster time-to-market, in our model.**
- **Thus, we increase the company's equity value to $227.4M/NIS 809.6M (previously, $214.1M/NIS 762.2 in our Q2 2017 report) and the target price to the range of NIS 4.63-NIS 4.81- a mean of NIS 4.72.**

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