FROST & SULLIVAN

RESEARCH & CONSULTING LTD.

Update Report **December 13, 2017**

RedHill Biopharma Ltd.: RedHill gives up migraine product (RHB-103). Upside remains, but the price target is decreased to NIS 2.27.

Primary exchange: TASE

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

Symbol: TASE, NASDAQ: RDHL

Sector: Biotechnology

Sub-sector: Drug Development

Stock price target: NIS 2.27

As of December 11, 2017

(source: TASE):

Closing price: NIS 1.59

Market cap: NIS 338.9M

# of shares: 212.7M

Stock performance (YTD): -60%

Daily-trading-vol. (12 months): NIS 1.3M

Kobi Hazan - Lead Analyst

Credit to experts:
Dr. Anna Cirmirakis*
Dr. Tiran Rothman

Frost & Sullivan Research & Consulting Ltd.
***) Frost & Sullivan**

Email: Equity.Research@frost.com
Tel: +972-9-9502888
www.frost.com/EquityResearch

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

RedHill announced a 2017 year-end summary on December 5, 2017, with its main activities and key milestones expected in 2018:

- **Cost reduction plan.** Cash balance at the end of 2017 is expected to be approximately $45 million, with no debt. A cost reduction plan is in place to gradually reduce the average quarterly cash burn rate in 2018 to approximately $8.5 million.
- **Increasing resource optimization and focus on GI, including termination of RIZAPORT® license.** Given the Company's increasing focus on gastrointestinal (GI) diseases and in particular its two key Phase III GI programs with near-term data points and blockbuster potential for Crohn's disease and H. pylori infection, a notice has been provided to IntelGenx Corp. that **RedHill will terminate, effective January 6, 2018, its co-development and commercialization agreement for the non-core migraine drug product candidate, RIZAPORT®, for which a recent Incomplete Response Letter has been received from the FDA.**
- **Top-line results from the ongoing Phase III study with RHB-104 for Crohn's disease expected mid-2018.** Enrollment of all 331 subjects in the MAP US study has been completed and the last patient to reach the primary endpoint assessment (remission at week 26) is expected by May 2018.
- **Top-line results from the ongoing confirmatory Phase III study with TALICIA™ (RHB-105)2 for *H. pylori*infection are expected in H2/2018.** To date, 136 patients out of a planned total of 444 subjects have been enrolled. TALICIA™ was previously granted QIDP fast track designation from FDA.

Analysis

- **RedHill's termination of its co-development and commercialization agreement for the non-core migraine drug product candidate, RIZAPORT® decreases company value.**
- This act will increase resource optimization and focus on GI sales platform and further development of other drugs in the pipeline.
- RHB-104 Crohn's disease - We assume that Redhill will achieve statistically significant results and achieve faster time-to-market. Top-line results from the ongoing Phase III study expected mid-2018.
- **Thus, we decrease company's equity value to $137.0M/NIS 483.6M (previously, at $145.4 million/NIS 511.8M in our Q3 2017 report) and the price target to the range of NIS 2.22-NIS 2.33- a mean of NIS 2.27, higher than current stock price.**

Disclaimers, disclosures and insights for more responsible investment decisions

"Frost & Sullivan" – A company registered in California, USA with branches and subsidiaries in other regions, including in Israel, and including any other relevant Frost & Sullivan entities, such as Frost & Sullivan Research & Consulting Ltd. ("FSRC"), a wholly owned subsidiary of Frost & Sullivan that is registered in Israel – as applicable. "The company" or "Participant" – The company that is analyzed in a report and participates in the TASE' Scheme**;** "Report", "Research Note" or "Analysis" – The content, or any part thereof where applicable, contained in a document such as a Research Note and/or any other previous or later document authored by "Frost & Sullivan", regardless if it has been authored in the frame of the "Analysis Program", if included in the database at www.frost.com and regardless of the Analysis format-online, a digital file or hard copy**;** "Invest", "Investment" or "Investment decision" – Any decision and/or a recommendation to Buy, Hold or Sell any security of The company.

The purpose of the Report is to enable a more informed investment decision. Yet, The Report does not include any personal or personalized advice as it cannot consider the particular investment criteria, needs, preferences, priorities, limitations, financial situation, risk aversion, and any other particular circumstances and factors that shall impact an investment decision.Nothing in a Report shall constitute a recommendation or solicitation to any specific decision maker to make any specific "Investment Decision" - as defined above or by various laws - so Frost & Sullivan takes no responsibility and shall not be deemed responsible for any specific "Investment Decision", and will not be liable for any actual, consequential, or punitive damages directly or indirectly related to The Report. Without derogating from the generality of the above, you shall consider the following clarifications, disclosure recommendations and disclaimers. Frost & Sullivan makes no warranty nor representation, expressed or implied, as to the completeness and accuracy of the Report at the time of any investment decision, and no liability shall attach thereto, considering the following among other reasons: The Report may not include the most updated and relevant information from all relevant sources, including later Reports, if any, at the time of the investment decision, so any investment decision shall consider them; The Analysis considers data, information and assessments provided by the company and from sources that were published by third parties (however, even reliable sources contain unknown errors from time to time); The methodology aims to focus on major known products, activities and target markets of the company that may have a significant impact on its performance as per our discretion, but it may ignore other elements; The company was not allowed to share any insider information; Any investment decision must be based on a clear understanding of the technologies, products, business environments, and any other drivers and restraints of the company performance, regardless if such information is mentioned in The Report or not; An investment decision shall consider any relevant updated information, such as the company's website and reports on Magna; Information and assessments contained in The Report are obtained from sources believed by us to be reliable (however, any source may contain unknown errors. All expressions of opinions, forecasts or estimates reflect the judgement at the time of writing, based on the company's latest financial report, and some additional information (they are subject to change without any notice). You shall consider the entire analysis contained in the Reports. No specific part of a Report, including any summary that is provided for convenience only, shall serve per se as a basis for any investment decision. In case you perceive a contradiction between any parts of The Report, you shall avoid any investment decision before such contradiction is resolved.

Risks, valuation and projections: Any stock price or equity value referred to in The Report, may fluctuate. Past performance is not indicative of future performance, future returns are not guaranteed, and a loss of original capital may occur. Nothing contained in The Report is, or should be relied on as, a promise or representation as to the future. The projected financial information is prepared expressly for use herein and is based upon the stated assumptions and Frost & Sullivan's analysis of information available at the time that this Report was prepared. There is no representation, warranty, or other assurance that any of the projections will be realized. The Report contains forward-looking statements, such as "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions. Undue reliance should not be placed on the forward-looking statements because there is no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, they involve inherent risks and uncertainties. Forward-looking information or statements contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results to be materially different from current projections. Macro level factors that are not directly analyzed in the Report, such as interest rates and exchange rates, any events related to the eco-system, clients, suppliers, competitors, regulators and others may fluctuate at any time. An investment decision must consider the Risks described in the Report and any other relevant Reports, if any, including the latest financial reports of the company. R&D activities shall be considered as high risk, even if such risks are not specifically discussed in the Report. Any investment decision shall consider the impact of negative and even worst case scenarios. Any relevant forward-looking statements as defined in Section 27A of the Securities Act of 1933, and Section 21E the Securities Exchange Act of 1934 (as amended) are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

TASE Analysis Scheme: The Report is authored by Frost & Sullivan Research & Consulting Ltd. within the framework of the Analysis Scheme of the Tel Aviv Stock Exchange ("TASE") regarding the provision of analysis services on companies that participate in the analysis scheme (see details: www.tase.co.il/LPages/TechAnalysis/Tase_Analysis_Site/index.html, www.tase.co.il/LPages/InvestorRelations/english/tase-analysis-program.html), an agreement that the company has signed with TASE ("The Agreement") and the regulation and supervision of the Israel Security Authority (ISA). FSRC and its lead analyst are licensed by the ISA as investment advisors. Accordingly the following implications and disclosure requirements shall apply. The agreement with the Tel-Aviv Stock Exchange Ltd. regarding participation in the scheme for research analysis of public companies does not and shall not constitute an agreement on the part of the Tel-Aviv Stock Exchange Ltd. or the Israel Securities Authority to the content of the Equity Research Notes, or to the recommendations contained therein.

As per the Agreement and/or ISA regulations: A summary of the Report shall also be published in Hebrew. In the event of any contradiction, inconsistency, discrepancy, ambiguity or variance between the English Report and the Hebrew summary of said Report, the English version shall prevail. The Report shall include a description of the Participant and its business activities, which shall inter alia relate to matters such as: shareholders; management; products; relevant intellectual property; the business environment in which the Participant operates; the Participant's standing in such an environment including current and forecasted trends; a description of past and current financial positions of the Participant; and a forecast regarding future developments and any other matter which in the professional view of Frost & Sullivan (as defined below) should be addressed in a research Report (of the nature published) and which may affect the decision of a reasonable investor contemplating an investment in the Participant's securities.. An equity research abstract shall accompany each Equity Research Report, describing the main points addressed. A thorough analysis and discussion will be included in Reports where the investment case has materially changed. Short update notes, in which the investment case has not materially changed, will include a summary valuation discussion. Subject to the agreement, Frost & Sullivan Research & Consulting Ltd. is entitled to an annual fee to be paid directly by the TASE. The fees shall be in the range of 35 to 50 thousands USD per each participant. Each participant shall pay fees for its participation in the Scheme directly to the TASE.

The lead analyst holds an investment advisory license of the ISA and is responsible for this Report, certify that the views expressed in the Report accurately reflect their personal views about the company and its securities, and that no part of their compensation was, is, or will be directly or indirectly related to the specific recommendation or view contained in the Report. Neither said analysts nor Frost & Sullivan trade or directly own any securities in the company.