# RedHill Biopharma

Pharma & biotech

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## Rapid COVID-19 Ph II/III programme progress

**RedHill's COVID-19 programme is progressing well with two clinical trials ongoing, a Phase II study (n=40) in the US and an international Phase II/III study (n=270). If results are promising, RedHill plans to apply for emergency use authorisation as soon as possible. The commercial highlight this year was the acquisition of Movantik (for opioid-induced constipation) from AstraZeneca on 1 April 2020. Q220 was the first full quarter of RedHill promoting Movantik with booked sales of $20.9m (AstraZeneca's reported sales of $96m in FY19). RedHill is also ramping up the promotion of its other GI drugs, Talicia for H. pylori eradication and Aemcolo for travellers' diarrhoea. Our valuation of RedHill is $601m or $16.2 per ADS.**

### Opaganib's unique mechanism of action

The trials are testing opaganib, a sphingosine kinase-2 inhibitor (reviewed in our last report in July 2020). Extensive preclinical studies describe opaganib's rather unique mechanism of action. It not only has an anti-viral effect, but can also reduce inflammation in the lungs. This makes it an attractive option in severe COVID-19 cases, where an overactive immune response can worsen the outcomes. Clinical data from the compassionate use programme were particularly intriguing, as one-third of patients in the control arm received corticosteroids vs none in the opaganib arm (data were collected before the landmark study in the UK showed that corticosteroids significantly improve outcomes). Patients in the opaganib arm showed numerically better outcomes, but these could have been even better considering corticosteroid use in the control arm.

### Closer collaboration with Cosmo

In August 2020, RedHill announced that it had signed a significant licensing and manufacturing agreement with Cosmo. This is an expansion of the partnership with Cosmo announced in October 2019, when RedHill in-licensed Aemcolo, one of the three main assets in its commercial portfolio. The new expanded deal involved co-development of a novel H. pylori therapy, co-development of RedHill's RHB-204 for NTM infections and Cosmo becoming the exclusive manufacturer of these drugs.

### Valuation: $601m or $16.2 per ADS

Our RedHill valuation is $601m or $16.2 per ADS. The successful resumption of full-scale promotion activities, new products (Talicia and Aemcolo) gaining traction and updates from the COVID-19 programme are the key catalysts in the near term.

**Edison estimates**

| Year end | Revenue ($m) | PBT* ($m) | EPS* ($) | DPS ($) | P/E (x) | Yield (%) |
|---|---|---|---|---|---|---|
| 12/18 | 8.4 | (38.8) | (0.17) | 0.0 | N/A | N/A |
| 12/19 | 6.3 | (42.1) | (0.14) | 0.0 | N/A | N/A |
| 12/20e | 105.0 | 2.3 | 0.00 | 0.0 | N/A | N/A |
| 12/21e | 137.0 | 3.2 | 0.01 | 0.0 | N/A | N/A |

Source: *PBT and EPS are normalised, excluding amortisation of acquired intangibles and exceptional items.

| | |
|---|---|
| Price | US$9.93 |
| Market cap | US$371m |

**Share price graph**


**Share details**

| | |
|---|---|
| Code | RDHL |
| Shares in issue | 37.4m |
| Net debt ($m) at end-Q220, plus $5.1m raised since the close of Q220 | 21.0 |

**Business description**

Speciality pharma company RedHill Biopharma focuses on GI diseases and promotes several products in the US. The commercial portfolio includes Movantik (opioid-induced constipation), Talicia (*H. pylori* eradication) and Aemcolo (travellers' diarrhoea). The most advanced R&D assets are RHB-204 for NTM, RHB-104 for Crohn's disease and Bekinda for gastroenteritis and IBS-D. RedHill also has a rapidly progressing COVID-19 R&D programme.

**Bull**

- Solid portfolio of new and established GI drugs commercialised in the US.
- Launched drugs are novel and differentiated addressing significant unmet needs.
- Broad R&D pipeline, potential to fast track new products depending on priorities.

**Bear**

- COVID-19 pandemic development in Western markets can affect clinical trials and RedHill's commercial activities in the US
- R&D risk is unavoidable in novel drug development
- Not yet break-even on profits

**Analyst**

Jonas Peciulis +44 (0)20 3077 5728

healthcar@edisongroup.com

Edison profile page

EDISON

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Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia