



June 8, 2020

**Key Metrics**

ORMP - NASDAQ	\$3.47
Pricing Date	Jun 5 2020
Price Target	\$5.50
52-Week Range	\$6.05 - \$2.32
Shares Outstanding (mm)	23.3
Market Capitalization (mm)	\$80.9
3-Mo Average Daily Volume	104,591
Institutional Ownership	13%
Debt/Total Capital	NM
ROE	NM
Book Value/Share	\$2.50
Price/Book	1.4x
Dividend Yield	NM
LTM EBITDA Margin	NM

**EPS FY: August**

	2019A	Prior 2020E	Curr. 2020E	Prior 2021E	Curr. 2021E
1Q-Nov	(0.25)	--	(0.15)A	(0.15)E	(0.22)E
2Q-Feb	(0.21)	(0.14)E	(0.21)A	(0.15)E	(0.23)E
3Q-May	(0.23)	(0.14)E	(0.22)E	(0.15)E	(0.23)E
4Q-Aug	(0.13)	(0.14)E	(0.22)E	(0.15)E	(0.23)E
FY	(0.82)	(0.58)E	(0.81)E	(0.59)E	(0.91)E
P/E	NM		NM		NM

Aug FY end. Quarters may not sum to annual on rounding and share count

**Revenue (M)**

	2019A	Prior 2020E	Curr. 2020E	Prior 2021E	Curr. 2021E
1Q-Nov	0.7	--	0.7A	--	0.0E
2Q-Feb	0.7	0.0E	0.7A	--	0.0E
3Q-May	0.7	--	0.0E	--	0.0E
4Q-Aug	0.7	--	0.0E	--	0.0E
FY	2.7	0.7E	1.3E	--	0.0E

**Company Description:**

Oramed Pharmaceuticals, Inc. is an clinical-stage biotechnology company that is developing orally formulated therapeutics, including an oral insulin. The company was founded in 2006 and has offices in New York and Jerusalem.

**Oramed Pharmaceuticals, Inc.****Rating: Buy****Review of Upcoming Catalysts****Investment Highlights:**

- **Oramed is developing ORMD-0801, an orally-delivered insulin.** We think Oramed has the potential to be the first orally-administered insulin to come to market. Data generated from the phase 2 trials (including statistically meaningful reductions in HbA1c) initially engendered our interest in Oramed, and we believe the drug candidate has demonstrated safety and efficacy in multiple trials completed to-date. Further background, including thoughts on market potential, can be found in our March initiation: [link](#).
- **Expected catalysts.** We believe major catalysts ahead for Oramed could include: (1) phase 3 trial announcements, including FDA meeting updates, as well as timing and design, (2) subsequent initiation of the trial, if approved to proceed by the FDA, and associated newsflow including patient recruitment, and data readouts, (3) updates regarding additional indications outside diabetes, and (4) updates regarding partnerships and/or commercialization plans in major geographies, including the U.S. We think the phase 3 trial initiation could be a CY 2020 event.
- **Updates.** Oramed will be presenting three posters at the American Diabetes Association Scientific Session from June 12th-16th, including related to ORMD-0801's impact on various subsets of patients with type 2 diabetes. In April, Oramed announced a Canadian patent granted for the methods and compositions for oral administration of proteins. We believe these incremental steps to prove and protect the value of the underlying technology are important in building overall franchise value.
- **Valuation and risks.** Our PT on shares of Oramed is \$5.50. We value shares of Oramed using a discounted cash flow analysis. Our valuation assumes commercialization of oral insulin in 2024, with an initial estimated 50bps share of the ~\$10bn+ US insulin market, a 16% revenue CAGR through 2033, 2% terminal growth, and utilizes a 20% discount rate (vs a ~5% CAPM rate, for greater conservatism and to handicap PoS). Additional indications and the Chinese licensing agreement are treated as option value at this time. Risks include: 1) regulatory, including FDA decisions, 2) clinical development, 3) financial, 4) competition, and 5) reimbursement, among others.

Oramed (ORMP)

Historical and forecasted income statement (\$mm)

	FY:18A		FY:19A				FY:20E					FY:21E				
	FY:18A	1QA	2QA	3QA	4QA	FY:19A	1QA	2QA	3QE	4QE	FY:20E	1QE	2QE	3QE	4QE	FY:21E
	8/31/2018	11/30/2018	2/28/2019	5/31/2019	8/31/2019	8/31/2019	11/30/2019	2/29/2020	5/31/2020	8/31/2020	8/31/2020	11/30/2020	2/28/2021	5/31/2021	8/31/2021	8/31/2021
<b>Revenues</b>	<b>2.4</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>2.7</b>	<b>0.7</b>	<b>0.7</b>			<b>1.3</b>					
<i>Growth</i>																
Cost of revenues	(0.1)	0.0	0.1			0.1										
<b>Gross profit</b>	<b>2.5</b>	<b>0.6</b>	<b>0.6</b>	<b>0.7</b>	<b>0.7</b>	<b>2.6</b>	<b>0.7</b>	<b>0.7</b>			<b>1.3</b>					
<i>Gross margin</i>																
Research and development	12.0	4.3	3.1	3.9	2.2	13.5	2.0	3.3	3.4	3.5	12.2	3.52	3.59	3.67	3.74	14.52
General and administrative	4.1	0.9	1.1	0.9	0.8	3.7	1.1	1.4	1.4	1.4	5.3	1.48	1.51	1.54	1.57	6.08
<b>Operating gain (loss)</b>	<b>(13.5)</b>	<b>(4.6)</b>	<b>(3.6)</b>	<b>(4.1)</b>	<b>(2.3)</b>	<b>(14.6)</b>	<b>(2.4)</b>	<b>(4.0)</b>	<b>(4.8)</b>	<b>(4.9)</b>	<b>(16.2)</b>	<b>(5.0)</b>	<b>(5.1)</b>	<b>(5.2)</b>	<b>(5.3)</b>	<b>(20.6)</b>
<i>Operating margin</i>																
Interest income	0.9	0.3	0.3	0.3	0.2	1.1	0.2	(0.2)	(0.2)	(0.2)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.7)
Interest expense	0.1	0.0	0.0	0.0	0.4	0.5	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1
Income (loss) from changes in fair value of investments		0.1	0.1	0.2	(0.4)		(0.3)	(0.2)	(0.2)	(0.2)	(0.8)	(0.2)	(0.2)	(0.2)	(0.2)	(0.7)
<b>Income (loss) before tax</b>	<b>(12.7)</b>	<b>(4.3)</b>	<b>(3.4)</b>	<b>(4.1)</b>	<b>(2.3)</b>	<b>(14.1)</b>	<b>(2.5)</b>	<b>(3.7)</b>	<b>(5.2)</b>	<b>(5.3)</b>	<b>(16.7)</b>	<b>(5.4)</b>	<b>(5.5)</b>	<b>(5.6)</b>	<b>(5.7)</b>	<b>(22.1)</b>
Tax			0.3			0.3										
<b>Net gain (loss)</b>	<b>(12.7)</b>	<b>(4.3)</b>	<b>(3.7)</b>	<b>(4.1)</b>	<b>(2.3)</b>	<b>(14.4)</b>	<b>(2.54)</b>	<b>(3.71)</b>	<b>(5.18)</b>	<b>(5.27)</b>	<b>(16.70)</b>	<b>(5.37)</b>	<b>(5.47)</b>	<b>(5.57)</b>	<b>(5.68)</b>	<b>(22.09)</b>
Unrealized income on available for sale securities	(0.3)															
Total other OCI	(0.3)															
Total comprehensive gain (loss)	(12.4)															
<b>Diluted gain (loss) per share</b>	<b>(0.86)</b>	<b>(0.25)</b>	<b>(0.21)</b>	<b>(0.23)</b>	<b>(0.13)</b>	<b>(0.82)</b>	<b>(0.15)</b>	<b>(0.21)</b>	<b>(0.22)</b>	<b>(0.22)</b>	<b>(0.81)</b>	<b>(0.22)</b>	<b>(0.23)</b>	<b>(0.23)</b>	<b>(0.23)</b>	<b>(0.91)</b>
<i>Diluted weighted average shares outstanding</i>	14.88	17.45	17.45	17.46	17.46	17.45	17.47	17.82	23.36	23.65	20.57	23.94	24.22	24.51	24.80	24.37

Source: Aegis Capital estimates; company filings

## Required Disclosures

### Price Target

Our price target on ORMP is \$5.50

### Valuation Methodology

We value ORMP using a discounted cash flow analysis

### Risk Factors

- Overview of risks. Risks include, but are not limited to, clinical, regulatory, competitive, reimbursement and financial risks.
- Development risk. Drugs in clinical development may not advance due to inadequate safety, efficacy, or patient tolerance.
- Regulatory risk. Regulatory agencies may decline to approve regulatory submissions in a timely manner, or may not approve a drug candidate at all.
- Dilution risk. The firm may require substantial funding to complete the clinical development of its candidates and establish commercial infrastructure, which could be dilutive to current shareholders.
- Competition risk. We expect competition for the company's drugs from several public and private companies developing pharmaceuticals.
- Reimbursement risk. Sales of the firm's drugs could depend upon reimbursement from private, as well as public, reimbursement agencies.
- Small company risk. Oramed is a small company. Small companies carry greater risk, in general, than large companies.
- Lack of cash flow. Companies with negative cash flow are riskier, in our opinion, than companies that produce positive cash from operations.
- Failure to earn cost of capital. Companies with a negative ROIC-WACC spread are by definition not earning their cost of capital which represents a significant risk.
- Other risks. There are many more risks that we may have overlooked. Investors should understand that these unknown risks and externalities, even if not explicitly stated, and which may or may not be known, are nevertheless real and are a risk.

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Rating	Investment Banking Services/Past 12 Mos.	
	Percent	Percent
BUY [BUY]	92.86	38.46
HOLD [HOLD]	7.14	25.00
SELL [SELL]	0.00	0.00

#### Meaning of Ratings

- A) A Buy rating is assigned when we do not believe the stock price adequately reflects a company's prospects over 12-18 months.
- B) A Hold rating is assigned when we believe the stock price adequately reflects a company's prospects over 12-18 months.
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