



January 15, 2021

Key Metrics

ORMP - NASDAQ	\$4.46
Pricing Date	Jan 14 2021
Price Target	\$6.00
52-Week Range	\$5.71 - \$2.40
Shares Outstanding (mm)	23.7
Market Capitalization (mm)	\$105.7
3-Mo Average Daily Volume	546,054
Institutional Ownership	13%
Debt/Total Capital	NM
ROE	NM
Book Value/Share	\$1.19
Price/Book	3.7x
Dividend Yield	NM
LTM EBITDA Margin	NM

EPS FY: August

	2020A	Prior 2021E	Curr. 2021E	Prior 2022E	Curr. 2022E
1Q-Nov	(0.15)	(0.15)E	(0.23)A	--	--
2Q-Feb	(0.21)	(0.15)E	(0.18)E	--	--
3Q-May	(0.10)	(0.16)E	(0.18)E	--	--
4Q-Aug	(0.13)	(0.16)E	(0.18)E	--	--
FY	(0.56)	(0.62)E	(0.78)E	--	(0.76)E
P/E					

Revenue (M)

	2020A	Prior 2021E	Curr. 2021E	Prior 2022E	Curr. 2022E
1Q-Nov	0.7	--	0.7A	--	--
2Q-Feb	0.7	--	0.7E	--	--
3Q-May	0.7	--	0.7E	--	--
4Q-Aug	0.7	--	0.7E	--	--
FY	2.7	--	2.7E	--	2.7E

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****Updates Related to Phase 3 Trials Could Represent Meaningful Catalysts****Investment Highlights:**

Overview of 1Q results. Oramed reported 1Q revenue of \$0.7 million, exactly in line with the consensus forecast, but EPS of \$(0.23) fell short of the \$(0.18) consensus figure as the company incurred higher than expected Research & Development expenses in the quarter due to the initiation of the important Phase 3 clinical trial in November.

First potential oral insulin to market. Oramed is developing ORMD-0801, an orally-delivered insulin. We believe 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) was highly encouraging, and the drug candidate has demonstrated safety and efficacy in multiple trials completed to-date.

Phase 3 trials recently underway. This past November, Oramed initiated Phase 3 trials of its ORMD-0801 oral insulin capsule for the treatment of type 2 diabetes. The Phase 3 trials will treat type 2 diabetes patients over a period of 6 to 12 months. These double-blinded, placebo controlled trials will recruit a total of 1,125 patients to evaluate the safety and efficacy of ORMD-0801, and efficacy data will become available after all patients have completed the first 6-month treatment period.

Potential catalysts for shares of ORMP. We believe the following could act as major catalysts ahead for shares of ORMP: (1) Phase 3 trial updates, (2) associated news flow including patient recruitment and data readouts, (3) updates regarding additional indications other than diabetes, and (4) updates regarding partnerships or commercialization plans.

Maintain BUY rating and price target of \$6. Our discounted cash flow valuation on shares of ORMP assumes commercialization of oral insulin in 2024, the company capturing approximately 50 basis points of market share of the approximate \$10 billion US insulin market, a 16% revenue CAGR through 2033, 2% terminal growth, and a 20% discount rate. We do not assume any additional indications or a potential Chinese licensing agreement, but such events could generate additional significant upside to long-term forecasts.

Investment risks. Potential risks to shares of ORMP attaining our price target include uncertain results from clinical trials regarding the efficacy and safety of therapies under development, regulatory risk from the FDA, competitive risk, and possible dilution to existing shareholders from future capital raises.

Figure 1. Historical and Projected Income Statement

ORAMED PHARMACEUTICALS INC. INCOME STATEMENT (in \$000)

FY Ending Mar	FY2018	FY2019	FY2020	Nov 1Q21	Feb 2Q21E	May 3Q21E	Aug 4Q21E	FY2021E	FY2022E
Net Revenue	\$2,449	\$2,703	\$2,710	\$674	\$680	\$680	\$680	\$2,714	\$2,720
% Change yr-yr		10.4%	0.3%	0.0%	0.9%	-0.1%	-0.1%	0.1%	0.2%
Research & development	11,979	13,522	10,235	5,774	4,000	4,000	4,000	17,774	17,600
General & administrative	3,997	3,812	4,232	727	900	1,100	1,100	3,827	4,800
Operating Income	(13,527)	(14,631)	(11,757)	(5,827)	(4,220)	(4,420)	(4,420)	(18,887)	(19,680)
Interest and other expense	(800)	(576)	(246)	(257)	10	10	10	(227)	40
Pretax income	(12,727)	(14,055)	(11,511)	(5,570)	(4,230)	(4,430)	(4,430)	(18,660)	(19,720)
Provision for Income Taxes	0	300	0	0	0	0	0	0	0
Net income (loss)	(12,727)	(14,355)	(11,511)	(5,570)	(4,230)	(4,430)	(4,430)	(18,660)	(19,720)
Diluted earnings per share:	(\$0.86)	(\$0.82)	(\$0.56)	(\$0.23)	(\$0.18)	(\$0.18)	(\$0.18)	(\$0.78)	(\$0.76)
Avg. diluted shares outstanding	14,882	17,454	20,532	23,746	24,000	24,000	24,000	23,936	26,000

Source: Aegis Capital Corporation and Company Reports

Required Disclosures

Price Target

Our price target on ORMP is \$6.

Valuation Methodology

We value ORMP using a discounted cash flow analysis.

Risk Factors

- **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, and future capital raises could be dilutive to existing 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.

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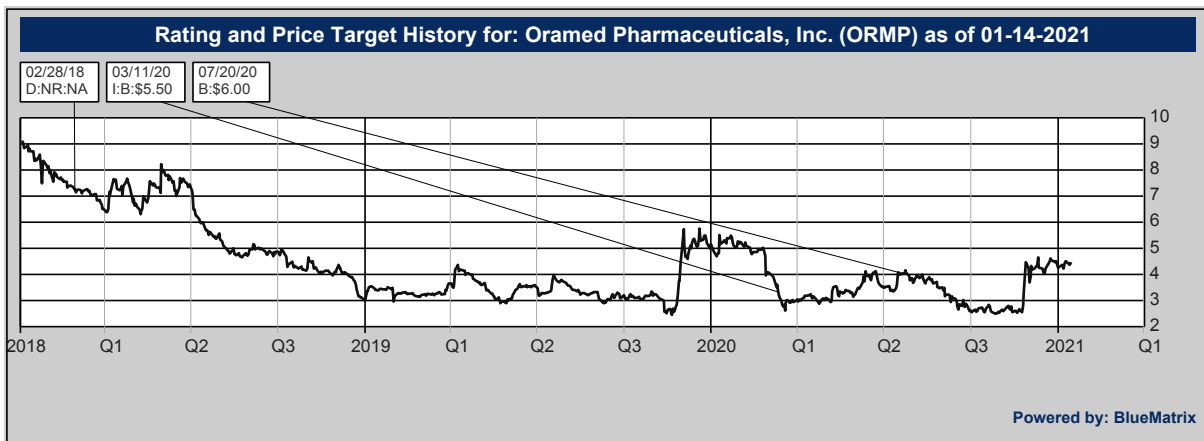
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Rating	Investment Banking Services/Past 12 Mos.	
	Percent	Percent
BUY [BUY]	91.89	39.71
HOLD [HOLD]	8.11	33.33
SELL [SELL]	0.00	0.00

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.
- C) A Sell rating is assigned when we believe the stock price more than adequately reflects a company's prospects over 12-18 months.

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