



November 2, 2021

**Key Metrics**

ORMP - NASDAQ	\$25.32
Pricing Date	Nov 2 2021
Price Target	\$35.00
52-Week Range	\$25.68 - \$2.47
Shares Outstanding (mm)	32.5
Market Capitalization (mm)	\$822.9
3-Mo Average Daily Volume	806,904
Institutional Ownership	12%
Debt/Total Capital	NM
ROE	NM
Book Value/Share	\$2.23
Price/Book	11.4x
Dividend Yield	NM
LTM EBITDA Margin	NM

**EPS FY: August**

	2020A	Prior 2021E	Curr. 2021E	Prior 2022E	Curr. 2022E
1Q-Nov	(0.15)	--	(0.23)A	(0.13)E	(0.15)E
2Q-Feb	(0.21)	--	(0.17)A	(0.12)E	(0.15)E
3Q-May	(0.10)	(0.14)E	(0.17)A	(0.12)E	(0.14)E
4Q-Aug	(0.13)	(0.13)E	(0.16)E	(0.12)E	(0.14)E
FY	(0.56)	(0.66)E	(0.74)E	(0.49)E	(0.59)E
P/E					

**Revenue (M)**

	2020A	Prior 2021E	Curr. 2021E	Prior 2022E	Curr. 2022E
1Q-Nov	0.7	--	0.7A	--	0.7E
2Q-Feb	0.7	--	0.7A	--	0.7E
3Q-May	0.7	--	0.7A	--	0.7E
4Q-Aug	0.7	--	0.7E	--	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 and, through subsidiary Oravax Medical, an oral Covid-19 vaccine. The company was founded in 2006 and has offices in New York and Jerusalem.

Company Update / Price Target Change / Estimates Change  
**Oramed Pharmaceuticals, Inc.**

**Rating: Buy**

**Oral Insulin And Oravax Medical Both Progressing;  
 Reiterate BUY, Raise PT**

**Investment Highlights:**

- Summary.** Following significant progress across Oramed's numerous clinical-stage programs, especially ORMD-0801, oral insulin for indications including type 2 diabetes (T2DM) and nonalcoholic steatohepatitis (NASH), and with the Covid-19 vaccine program at subsidiary Oravax Medical, along with making a key commercially-focused hire, we're highlighting the company's progress and reconsidering the upside potential, which we feel is considerable. Shares of ORMP have fared well so far in 2021, +491% YTD, significantly outperforming the biotech industry overall, with, for instance, the S&P Biotech ETF (XBI; NR) down 8% YTD.
- Updates.** Oramed has made significant progress with ORMD-0801 for the treatment of T2DM, including announcing in August (8/24) near 65% enrollment in ORA-D-013-1 (the first and larger of the phase 3 trials; planned n=675) and 25% enrollment in ORA-D-013-2 (planned n=450). Given that we're now in October, we think it likely that enrollment has continued to advance meaningfully since then. We expect topline results in 2022 and believe a successful outcome and subsequent FDA approval would position Oramed advantageously as the first mover with an oral insulin product. As a reminder, Oramed embarked on its phase 3 program subsequent to readout of a successful phase 2 study, which we've previously discussed, including in our July 2020 [update](#). Additionally, in September (9/15), Oramed announced over 50% enrollment of its phase 2 study of ORMD-0801 in patients suffering from nonalcoholic steatohepatitis (NASH). Efficacy endpoints in the study will include change in liver fat content, fibrosis, and steatosis measured via MRI-PDFF after 12-weeks of treatment. In addition, Oramed has been making progress with Oravax Medical (discussed below), and - in what we consider a meaningful vote of confidence - the company announced the hiring of industry veteran Michael Rabinowitz as Chief Commercial Officer (effective 8/1). Mr. Rabinowitz formerly held multiple senior commercial and financial roles at Merck (MRK; NR) over the course of two decades.
- Oravax Medical.** As a reminder, Oravax medical is Oramed's majority-owned subsidiary representing a JV between Oramed and Premas Biotech. Oravax is developing an oral Covid-19 vaccine utilizing Premas' virus-like particle vaccine technology to target three SARS CoV-2 virus surface proteins, administered via Oramed's proprietary oral encapsulation technology. Oramed announced (10/29) that Oravax had received South African approval to initiate a phase 1 trial. In our view, an oral Covid vaccine could have significant value as a booster option particularly if and as Covid-19 proves to be an endemic indication. We think Oravax could make an interesting standalone company at some point ahead.
- Valuation and estimates.** We rate shares of ORMP a BUY and raise our price target to \$35 (from \$20). Our updated price target is predicated on a discounted cash flow valuation. Among other adjustments, we now treat Oravax Medical as tangible value in the model. At 5/31, cash and equivalents were \$57mm, while deposits and marketable securities in the aggregate were another ~\$20mm. Risks include: 1) clinical, 2) financial, 3) operational, 4) competition, 5) regulatory, and other.

# Valuation

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## Discounted cash flow - valuation summary

Interim years value	\$891,435,889
Terminal value	\$198,287,063
Total value	\$1,145,377,019

## Oral insulin

Peak insulin market share	2.05%
Peak sales estimate	\$265,189,359
Discount rate	12%
Terminal growth rate	2%

## Oravax Medical

Peak Covid vaccine booster share	8%
Discount rate	20%
Terminal growth rate	2%
Oravax Medical (Oramed share)	\$55,654,067

<b>Price target</b>	<b>\$35</b>
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Source: Aegis Capital estimates

# Income statement

	FY:19A	FY:20A	FY:21E				FY:22E					
	FY:19A	FY:20A	1QA	2QA	3QA	4QE	FY:21E	1QE	2QE	3QE	4QE	FY:22E
	8/31/2019	8/31/2020	11/30/2020	2/28/2021	5/31/2021	8/31/2021	8/31/2021	11/30/2021	2/28/2022	5/31/2022	8/31/2022	8/31/2022
<b>Revenues</b>	<b>2.7</b>	<b>2.7</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>0.7</b>	<b>0.7</b>	<b>2.7</b>
<i>Growth</i>												
Cost of revenues	0.1											
<b>Gross profit</b>	<b>2.6</b>	<b>2.7</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>0.7</b>	<b>0.7</b>	<b>2.7</b>
<i>Gross margin</i>												
Research and development	13.5	10.2	5.8	3.9	5.5	5.0	20.1	4.9	4.8	4.7	4.6	18.8
General and administrative	3.7	4.2	0.7	1.7	1.3	1.3	5.0	1.3	1.4	1.4	1.4	5.6
<b>Operating gain (loss)</b>	<b>(14.6)</b>	<b>(11.8)</b>	<b>(5.8)</b>	<b>(4.9)</b>	<b>(6.1)</b>	<b>(5.6)</b>	<b>(22.4)</b>	<b>(5.5)</b>	<b>(5.5)</b>	<b>(5.4)</b>	<b>(5.3)</b>	<b>(21.7)</b>
<i>Operating margin</i>												
Interest income	1.1	0.7	0.3	0.3	0.5	0.5	1.5	0.5	0.5	0.5	0.5	2.0
Interest expense	0.5	0.4										
Income (loss) from changes in fair value of investments												
<b>Income (loss) before tax</b>	<b>(14.1)</b>	<b>(11.5)</b>	<b>(5.6)</b>	<b>(4.6)</b>	<b>(5.6)</b>	<b>(5.1)</b>	<b>(20.9)</b>	<b>(5.0)</b>	<b>(5.0)</b>	<b>(4.9)</b>	<b>(4.8)</b>	<b>(19.7)</b>
Tax	0.3											
<b>Net gain (loss)</b>	<b>(14.4)</b>	<b>(11.5)</b>	<b>(5.6)</b>	<b>(4.6)</b>	<b>(5.6)</b>	<b>(5.1)</b>	<b>(20.9)</b>	<b>(5.0)</b>	<b>(5.0)</b>	<b>(4.9)</b>	<b>(4.8)</b>	<b>(19.7)</b>
Unrealized income on available for sale securities												
Total other OCI												
Total comprehensive gain (loss)												
<b>Diluted gain (loss) per share</b>	<b>(0.82)</b>	<b>(0.56)</b>	<b>(0.23)</b>	<b>(0.17)</b>	<b>(0.17)</b>	<b>(0.16)</b>	<b>(0.74)</b>	<b>(0.15)</b>	<b>(0.15)</b>	<b>(0.14)</b>	<b>(0.14)</b>	<b>(0.59)</b>
<i>Diluted weighted average shares outstanding</i>	<i>17.45</i>	<i>20.53</i>	<i>23.75</i>	<i>27.00</i>	<i>29.93</i>	<i>32.51</i>	<i>28.30</i>	<i>32.93</i>	<i>33.34</i>	<i>33.75</i>	<i>34.16</i>	<i>33.54</i>

Source: Aegis Capital estimates; company filings

## Required Disclosures

### Price Target

Our price target on ORMP is \$35

### 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.
- **Other risks.** There may be other risks, including COVID, other externalities, key man, or other risks. Our failure to state a risk specifically does not obviate its presence or potential impact on the value or price of shares in Oramed.

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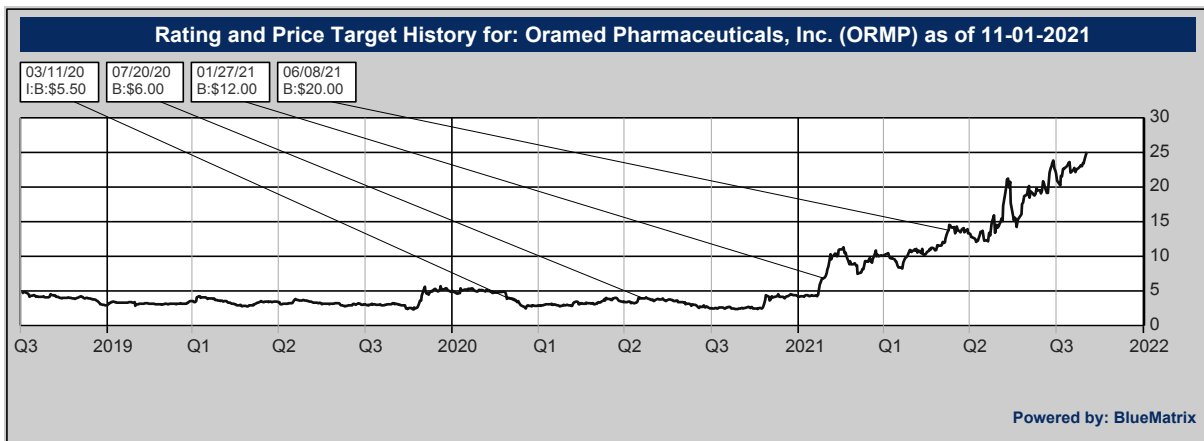
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Rating	Investment Banking Services/Past 12 Mos.	
	Percent	Percent
BUY [BUY]	93.94	40.86
HOLD [HOLD]	6.06	33.33
SELL [SELL]	0.00	0.00

#### 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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