



December 21, 2021

Key Metrics

ORMP - NASDAQ	\$15.34
Pricing Date	Dec 21 2021
Price Target	\$35.00
52-Week Range	\$31.54 - \$4.12
Shares Outstanding (mm)	38.1
Market Capitalization (mm)	\$584.5
3-Mo Average Daily Volume	830,530
Institutional Ownership	15%
Debt/Total Capital	NM
ROE	NM
Book Value/Share	\$3.28
Price/Book	4.7x
Dividend Yield	NM
LTM EBITDA Margin	NM

EPS FY: August

	2021A	Prior 2022E	Curr. 2022E	Prior 2023E	Curr. 2023E
1Q-Nov	(0.23)	(0.15)E	(0.13)E	--	(0.12)E
2Q-Feb	(0.17)	(0.15)E	(0.13)E	--	(0.12)E
3Q-May	(0.17)	(0.14)E	(0.13)E	--	(0.12)E
4Q-Aug	(0.15)	(0.14)E	(0.12)E	--	(0.12)E
FY	(0.78)	(0.59)E	(0.51)E	--	(0.48)E
P/E					

Revenue (M)

	2021A	Prior 2022E	Curr. 2022E	Prior 2023E	Curr. 2023E
1Q-Nov	0.7	--	0.7E	--	0.7E
2Q-Feb	0.7	--	0.7E	--	0.7E
3Q-May	0.7	--	0.7E	--	0.7E
4Q-Aug	0.7	--	0.7E	--	0.7E
FY	2.7	--	2.7E	--	2.7E

Company Description:

Oramed Pharmaceuticals, Inc. is a 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.

Oramed Pharmaceuticals, Inc.**Rating: Buy****Recent Updates; Discussion Of ORMD-0801****Investment Highlights:**

- Recent updates.** Oramed announced (11/23) that it had achieved 75% enrollment in ORA-D-013-01 (planned n=675), which is the larger of two phase 3 studies of ORMD-0801, 8mg of oral insulin, in patients with type 2 diabetes (T2DM). Details on the study design can be found [here](#). Additionally, Oramed announced its inclusion in the MSCI USA Small Cap Index (effective 11/30). On 11/18, subsidiary Oravax announced a joint venture with Genomma Lab (BMV: LABB; NR) to develop and commercialize the former's oral Covid-19 vaccine in Mexico.
- Financial updates.** Oramed's FY20 revenue was \$2.7mm vs \$2.7mm LY and \$2.7mm expected, and EPS were (\$0.78) vs (\$0.56) LY and (\$0.74) estimated. At 8/31, Oramed reported over \$94mm of cash and equivalents and no debt. On 11/8, Oramed raised gross proceeds of \$50mm in a registered direct offering, priced at \$25/share.
- Our view from here on ORMD-0801, oral insulin.** As a reminder, Oramed achieved statistical significance in lowering A1c with ORMD-0801, oral insulin, in its phase 2b study, with the strongest, statistically meaningful effect sizes at the 8mg dose level (1x/day 8mg cohort showed 0.81 placebo-adjusted decline in A1c, further details [here](#)), relative to the 16mg and 32mg cohorts. We think a linear dose response would have been a more intuitive outcome, and note that other efforts at developing oral insulin historically have demonstrated such a dose relationship ([link](#)), though for various reasons other attempts at developing an oral insulin have not crossed the finish line ([example](#)). Entera Bio (ENTX; BUY/ \$12 PT) is utilizing similar encapsulation technology for EB613, orally-delivered parathyroid hormone (PTH 1-34), and achieved success in its phase 2 trial, increasing lumbar spine BMD by a placebo-adjusted 3.78% (p<0.008). In our mind, two different companies in two different indications achieving statistically meaningful improvements in efficacy endpoints with comparable encapsulation technology is indicative of this platform's ability to shepherd large molecules through the gastrointestinal system for systemic uptake. Though we do not foresee ORMD-0801 as a replacement for injectable insulin, we're enthusiastic about the potential of oral insulin to benefit patients through improved convenience, and we think ORMD-0801 could be used most readily as an early or adjunct intervention in diabetes, predicated on the outcome of the phase 3 studies. Note, the phase 3 protocols call for utilizing ORMD-0801 in combination with two or three oral glucose-lowering agents (ORA-D-013-1) or as a monotherapy or alongside metformin (ORA-D-013-2).
- Rating and target.** We rate shares of ORMP a BUY with a \$35 price target. Our valuation is based on a discounted cash flow model which utilizes a 12% discount rate (vs a CAPM-derived rate of 9%) and a forecast of mid single digit % peak share of the insulin market in the U.S., along with a PoS handicap acknowledging the inherent riskiness of drug development, especially where either the API or the delivery route (the latter, in this case) are novel and lack a commercial-stage precedent. Modest value is included for Oravax, given its earlier stage of development, and option value is ascribed to the balance of the pipeline. Risks include: 1) the outcome of clinical trials, 2) financial, 3) regulatory, 4) competition, 5) operational, 6) Covid-19, and others.

Valuation Summary

Discounted cash flow - valuation summary

Interim years value	\$748,743,587
Terminal value	\$537,547,461
Total value	\$1,341,945,116

Oral insulin

Peak insulin market share	6.00%
Peak sales estimate	\$1,098,023,898
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

Price target	\$35
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Source: Aegis Capital estimates

Discounted cash flow model

Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Insulin market				12,539,393,612	13,077,333,597	13,638,351,209	14,223,436,476	14,833,621,900	15,469,984,280	16,133,646,606	16,825,780,045	17,547,606,009	18,300,398,307
ORMP share				0.75%	1.50%	2.25%	3.00%	3.75%	4.50%	5.25%	6.00%	6.00%	6.00%
Revenue				94,045,452	196,160,004	306,862,902	426,703,094	556,260,821	696,149,293	847,016,447	1,009,546,803	1,052,856,361	1,098,023,898
Growth					109%	56%	39%	30%	25%	22%	19%	4%	4%
COGS				18,809,090	35,308,801	49,098,064	64,005,464	83,439,123	104,422,394	127,052,467	151,432,020	157,928,454	164,703,585
Gross income				75,236,362	160,851,203	257,764,838	362,697,630	472,821,698	591,726,899	719,963,980	858,114,782	894,927,906	933,320,314
Gross margin				80%	82%	84%	85%	85%	85%	85%	85%	85%	85%
R&D	20,989,000	18,836,450	18,459,721	18,090,527	17,728,716	17,374,142	17,026,659	16,686,126	16,352,403	16,025,355	15,704,848	15,390,751	15,082,936
G&A	5,937,000	5,561,693	5,839,778	23,359,110	24,059,883	24,781,680	25,525,130	26,290,884	27,079,611	27,891,999	28,728,759	29,590,622	30,478,341
EBIT	(26,926,000)	(24,398,143)	(24,299,498)	33,786,725	119,062,604	215,609,016	320,145,841	429,844,688	548,294,885	676,046,626	813,681,175	849,946,534	887,759,037
Operating margin				36%	61%	70%	75%	77%	79%	80%	81%	81%	81%
Interest													
EBT	(26,926,000)	(24,398,143)	(24,299,498)	33,786,725	119,062,604	215,609,016	320,145,841	429,844,688	548,294,885	676,046,626	813,681,175	849,946,534	887,759,037
Tax								21,492,234	82,244,233	141,969,791	170,873,047	178,488,772	186,429,398
Tax rate								5%	15%	21%	21%	21%	21%
Net income	(26,926,000)	(24,398,143)	(24,299,498)	33,786,725	119,062,604	215,609,016	320,145,841	408,352,454	466,050,652	534,076,834	642,808,128	671,457,762	701,329,639
D&A													
CAPEX													
Simple FCF	(26,926,000)	(24,398,143)	(24,299,498)	33,786,725	119,062,604	215,609,016	320,145,841	408,352,454	466,050,652	534,076,834	642,808,128	671,457,762	701,329,639
Year	0.0	1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	12.0
Discount rate	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
Discount factor	1.0	1.1	1.3	1.4	1.6	1.8	2.0	2.3	2.5	2.9	3.2	3.6	4.1
Discounted FCF	(26,926,000)	(21,706,533)	(19,233,782)	23,792,888	74,595,071	120,180,875	158,763,256	180,165,234	182,937,454	186,512,069	199,718,478	185,604,830	172,475,121
PoS	100%	100%	100%	55%	55%	55%	55%	55%	55%	55%	55%	55%	55%
PoS-adjusted discounted FCF	(26,926,000)	(21,706,533)	(19,233,782)	13,086,089	41,027,289	66,099,481	87,319,791	99,090,879	100,615,600	102,581,638	109,845,163	102,082,657	94,861,317

Source: Aegis Capital estimates; company filings

Income statement

	FY:19A	FY:20A	FY:21A	FY:22E				FY:23E					
	FY:19A	FY:20A	FY:21A	1QE	2QE	3QE	4QE	FY:22E	1QE	2QE	3QE	4QE	FY:23E
	8/31/2019	8/31/2020	8/31/2021	11/30/2021	2/28/2022	5/31/2022	8/31/2022	8/31/2022	11/30/2023	2/28/2023	5/31/2023	8/31/2023	8/31/2023
Revenues	2.7	2.7	2.7	0.7	0.7	0.7	0.7	2.7	0.7	0.7	0.7	0.7	2.7
<i>Growth</i>													
Cost of revenues	0.1												
Gross profit	2.6	2.7	2.7	0.7	0.7	0.7	0.7	2.7	0.7	0.7	0.7	0.7	2.7
<i>Gross margin</i>													
Research and development	13.5	10.2	21.0	4.9	4.8	4.7	4.6	18.8	4.5	4.4	4.3	4.2	17.4
General and administrative	3.7	4.2	5.9	1.3	1.4	1.4	1.4	5.6	1.5	1.5	1.5	1.6	6.0
Operating gain (loss)	(14.6)	(11.8)	(24.2)	(5.5)	(5.5)	(5.4)	(5.3)	(21.7)	(5.3)	(5.2)	(5.1)	(5.1)	(20.7)
<i>Operating margin</i>													
Interest income	1.1	0.7	1.2	0.5	0.5	0.5	0.5	2.0	0.5	0.5	0.5	0.5	2.0
Interest expense	0.5	0.4	0.0										
Income (loss) from changes in fair value of investments													
Income (loss) before tax	(14.1)	(11.5)	(23.0)	(5.0)	(5.0)	(4.9)	(4.8)	(19.7)	(4.8)	(4.7)	(4.6)	(4.6)	(18.7)
Tax	0.3												
Net income	(14.4)	(11.5)	(23.0)	(5.0)	(5.0)	(4.9)	(4.8)	(19.7)	(4.8)	(4.7)	(4.6)	(4.6)	(18.7)
Unrealized income on available for sale securities													
Total other OCI													
Total comprehensive gain (loss)													
NCI			0.8										
Net income			(23.0)										
Diluted gain (loss) per share	(0.82)	(0.56)	(0.78)	(0.13)	(0.13)	(0.13)	(0.12)	(0.51)	(0.12)	(0.12)	(0.12)	(0.12)	(0.48)
<i>Diluted weighted average shares outstanding</i>	<i>17.45</i>	<i>20.53</i>	<i>28.47</i>	<i>38.09</i>	<i>38.50</i>	<i>38.91</i>	<i>39.32</i>	<i>38.70</i>	<i>39.32</i>	<i>39.32</i>	<i>39.32</i>	<i>39.32</i>	<i>39.32</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. The outcomes of clinical trials are risky and inherently unknowable ex ante. A negative clinical trial outcome could cause shares to decline in value.
- **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.
- **Market risk.** Even if the company succeeds in clinical trials and gaining approval to market its drug, it could struggle or fail to gain market acceptance, especially given its differentiated profile versus existing therapeutic options.
- **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.

For important disclosures go to www.aegiscap.com.

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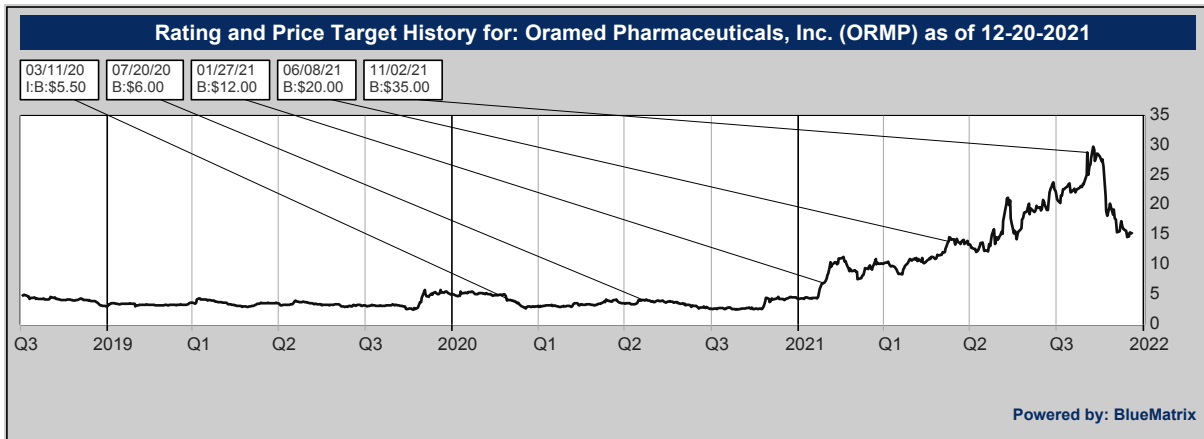
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Aegis Capital Corp. has performed investment banking services for and received fees from Oramed Pharmaceuticals, Inc. within the past 12 months.



**Investment Banking
Services/Past 12 Mos.**

Rating	Percent	Percent
BUY [BUY]	94.00	42.55
HOLD [HOLD]	6.00	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.
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