



December 4, 2014

Key Metrics

ORMP - NASDAQ	\$6.04
Pricing Date	Dec 4 2014
Price Target	\$30.00
52-Week Range	\$31.73 - \$5.71
Shares Outstanding (mm)	10.1
Market Capitalization (\$mm)	\$61.0
3-Mo Average Daily Volume	44,563
Institutional Ownership	13%
Debt/Total Capital	NM
ROE	NM
Book Value/Share	\$2.06
Price/Book	2.9x
Dividend Yield	NM
LTM EBITDA Margin	NM

EPS (\$) FY: August

	2013A	Prior 2014E	Curr. 2014A	Prior 2015E	Curr. 2015E
1Q-Nov	(0.14)	--	(0.14)	(0.22)E	(0.21)E
2Q-Feb	(0.19)	--	(0.12)	(0.24)E	(0.22)E
3Q-May	(0.19)	--	(0.18)	(0.25)E	(0.24)E
4Q-Aug	(0.09)	(0.20)	(0.16)	--	(0.25)E
FY	(0.59)	(0.64)	(0.62)	(0.97)E	(0.92)E
P/E	NM		NM		NM



Company Description:

Oramed Pharmaceuticals, Inc. (<http://www.oramed.com/>) is an emerging firm in the diabetes sector based in Givat Ram, Israel.

Oramed Pharmaceuticals, Inc.

Rating: Buy

Oramed Closed \$5mm Deal; Phase 2b Trial To Be Initiated

Investment Highlights:

- Strategic Investment Deal Closed.** Oramed Pharmaceuticals announced yesterday that it had received \$5mm in connection with the definitive agreement with Guangxi Wuzhou Pharmaceutical Co., a subsidiary of Guangxi Wuzhou Zhongheng Group Company Ltd (600252/SHA, Not Rated). This Chinese pharmaceutical company purchased 696,378 restricted shares of Oramed common stock for \$7.18 per share in a private placement. We note that China offers a substantial market opportunity for Oramed's diabetes focused pipeline and Guangxi Wuzhou may provide strategic help in guiding the firm's development and commercial entrance into China. We believe Oramed will use the proceeds to fund U.S. clinical trials for its oral insulin for type 1 and type 2 diabetes, preclinical and clinical studies of its oral GLP-1 analog project, and general corporate purposes. In the wake of this update, we reiterate our Buy rating and adjust the 12-month price target from \$32.00 to \$30.00 per share.
- Phase 2b Type 2 Diabetes Trial Will be Initiated.** Oramed previously reported positive data from a 30-patient Phase 2a Type 2 diabetes trial of ORMD-0801 in January 2014. We remind investors that the oral insulin gel capsules were observed to be safe and without hypoglycemic events. Both dose groups tested in the study showed trends towards sustained reduction in nighttime, daytime and mean fasting glucose concentrations compared to placebo. The firm now plans to initiate a Phase 2b Type 2 diabetes trial in January 2015 with ~180 patients. This will be a double-blind randomized trial with >30 sites in the U.S. The primary endpoints will be safety and the efficacy of ORMD-0801 on mean nighttime glucose for a 28-day treatment. Secondary objectives include changes from baseline in fasting blood glucose (FBG), morning fasting serum insulin, C-peptide, and triglycerides. In light of the Phase 2a results in both Type 2 and Type 1 diabetes, the Phase 2b trial seems promising, in our view. We believe this trial is likely to cost \$4mm - \$5mm to complete, with data potentially reported by end-2015.
- Oral GLP-1 Analog Roadmap.** We expect Oramed to complete the preclinical/IND-enabling studies in 1Q 2015 for its oral GLP-1 analog, ORMD-0901, to treat Type 2 diabetes. A Phase 1b ex-U.S. study should be initiated in 1Q 2015, according to the management, so as to prepare for a multicenter Phase 2 study initiation by end-2015 under the U.S. IND. We believe the firm currently has approximately \$25mm in cash after the deal with Guangxi Wuzhou, which should provide a runway for the next ~2 years.

Table 1: Oramed Pharmaceuticals Inc. (ORMP) – Historical Income Statements, Financial Projections

FY end August 31

\$ in thousands, except per share data

	2012A	2013A	2014A				2014A	2015E				2015E
			1QA	2QA	3QA	4QA		1QE	2QE	3QE	4QE	
Revenue												
Product revenue	-	-	-	-	-	-	-	-	-	-	-	-
Service revenue	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue	-	-	-	-	-	-	-	-	-	-	-	-
Expenses												
Cost of product and service revenue	-	-	-	-	-	-	-	-	-	-	-	-
Research & development	1,681	2,272	751	673	1,089	764	3,277	1,300	1,400	1,500	1,600	5,800
Selling and marketing	-	-	-	-	-	-	-	-	-	-	-	-
General and administrative	1,203	2,032	418	512	814	885	2,629	900	1,000	1,100	1,200	4,200
Total expenses	2,884	4,304	1,168	1,186	1,903	1,649	5,906	2,200	2,400	2,600	2,800	10,000
Gain (loss) from operations	(2,884)	(4,304)	(1,168)	(1,186)	(1,903)	(1,649)	(5,906)	(2,200)	(2,400)	(2,600)	(2,800)	(10,000)
Other income/expense												
Financial income	13	180	46	74	79	25	225	20	20	20	20	80
Financial expenses	(199)	(313)	(2)	(3)	(4)	(1)	(11)	(2)	(2)	(2)	(2)	(8)
Impairment of available-for-sale securities	(184)	-	-	-	-	-	-	-	-	-	-	-
Total investment income and other	(370)	(133)	44	71	75	24	214	18	18	18	18	72
Loss before provision for income taxes	(3,254)	(4,437)	(1,124)	(1,115)	(1,828)	(1,625)	(5,692)	(2,182)	(2,382)	(2,582)	(2,782)	(9,928)
Provision for income taxes	(90)	205	-	-	-	(4)	(4)	-	-	-	-	-
Net loss/income	(3,344)	(4,232)	(1,124)	(1,115)	(1,828)	(1,629)	(5,696)	(2,182)	(2,382)	(2,582)	(2,782)	(9,928)
Net loss per share (basic)	(0.57)	(0.59)	(0.14)	(0.12)	(0.18)	(0.16)	(0.62)	(0.21)	(0.22)	(0.24)	(0.25)	(0.92)
Net loss per share (diluted)	(0.57)	(0.59)	(0.14)	(0.12)	(0.18)	(0.16)	(0.62)	(0.21)	(0.22)	(0.24)	(0.25)	(0.92)
Weighted average number of shares outstanding (basic)	5,884	7,209	7,941	9,128	9,888	10,029	9,244	10,453	10,853	10,953	11,053	10,828
Weighted average number of shares outstanding (diluted)	5,884	7,209	7,941	9,128	9,888	10,029	9,244	10,453	10,853	10,953	11,053	10,828

Source: Company Reports and Aegis Capital Corp. estimates

Required Disclosures

Price Target

Our 12-month price target is \$30.00 per share.

Valuation Methodology

We utilize a discounted cash flow-based risk-adjusted Net Present Value (rNPV) approach to value the shares. Using this methodology, we derive a total firm value of roughly \$400 million, which translates into a price objective of \$30.00 per share, assuming ~\$20 million in cash and approximately 13 million shares outstanding (fully-diluted) at the end of 2015.

Risk Factors

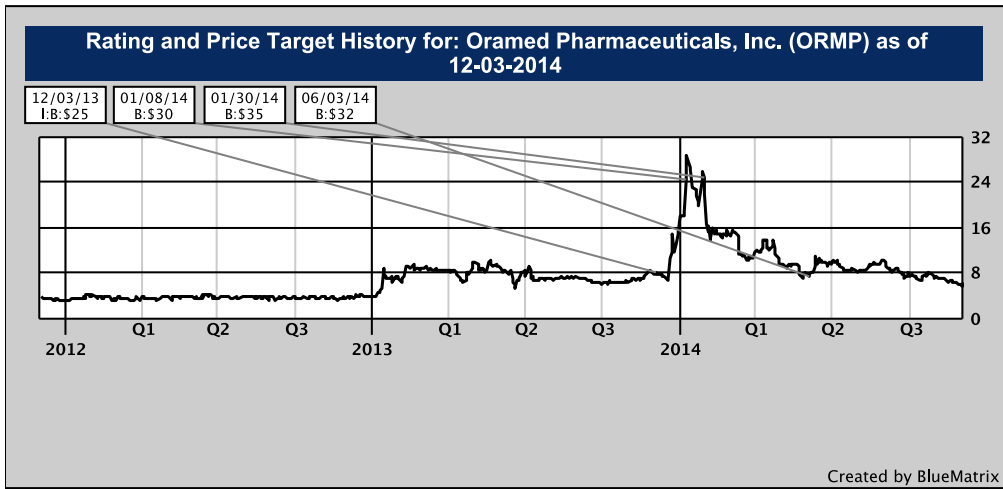
Issues that could prevent the achievement of our price objective include, but are not limited to, clinical, regulatory, competitive, reimbursement and financial risks. Drugs in clinical development may not advance due to inadequate safety, efficacy, or tolerability. Regulatory agencies may decline to approve regulatory submissions in a timely manner, or may not approve a drug candidate at all. 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. We expect competition for the company's drugs from several public and private companies developing pharmaceuticals. Sales of the firm's drugs could depend upon reimbursement from private, as well as public, reimbursement agencies.

For important disclosures go to www.aegiscap.com.

Research analyst compensation is dependent, in part, upon investment banking revenues received by Aegis Capital Corp.

Aegis Capital Corp. intends to seek or expects to receive compensation for investment banking services from the subject company within the next three months.

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



Rating	Investment Banking Services/Past 12 Mos.	
	Percent	Percent
BUY [BUY]	81.48	63.64
HOLD [HOLD]	18.52	20.00
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.
- C) A Sell rating is assigned when we believe the stock price more than adequately reflects a company's prospects over 12-18 months.

Other Disclosures

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