



Transferring Coverage / Estimates Change

November 20, 2020

Key Metrics

| | |
|----------------------------|-----------------|
| ORMP - NASDAQ | \$2.58 |
| Pricing Date | Nov 19 2020 |
| Price Target | \$6.00 |
| 52-Week Range | \$6.05 - \$2.38 |
| Shares Outstanding (mm) | 23.5 |
| Market Capitalization (mm) | \$60.7 |
| 3-Mo Average Daily Volume | 142,634 |
| Institutional Ownership | 13% |
| Debt/Total Capital | NM |
| ROE | NM |
| Book Value/Share | \$2.50 |
| Price/Book | 1.0x |
| 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 | (0.11)E | (0.15)E |
| 2Q-Feb | (0.21) | -- | (0.21)A | (0.11)E | (0.15)E |
| 3Q-May | (0.23) | -- | (0.10)A | (0.11)E | (0.16)E |
| 4Q-Aug | (0.13) | (0.11)E | (0.14)E | (0.12)E | (0.16)E |
| FY | (0.82) | (0.54)E | (0.57)E | (0.46)E | (0.62)E |
| P/E | | | | | |

Revenue (M)

| | 2019A | Prior 2020E | Curr. 2020E | Prior 2021E | Curr. 2021E |
|--------|-------|----------------|----------------|----------------|----------------|
| 1Q-Nov | 0.7 | -- | 0.7A | 0.0E | 0.7E |
| 2Q-Feb | 0.7 | -- | 0.7A | 0.0E | 0.7E |
| 3Q-May | 0.7 | -- | 0.7A | 0.0E | 0.7E |
| 4Q-Aug | 0.7 | 0.0E | 0.7E | 0.0E | 0.7E |
| FY | 2.7 | 2.0E | 2.7E | 0.0E | 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

Commencement of Phase 3 Trials Could Represent a Meaningful Catalyst

Investment Highlights:

Significant progress in oral delivery of proteins and peptides. On Wednesday, Nov. 18, Nobel Laureate and member of Oramed's Scientific Advisory Board, Prof. Avram Hershko, as well as Oramed's Chief Scientific Officer, Dr. Miriam Kidron, presented at the Biotalknology webinar and discussed the major strides Oramed has made in developing products for the oral delivery of proteins and peptides. Prof. Hershko and Dr. Kidron described the company's significant progress in developing encapsulation technology that would permit such oral delivery despite the acidic conditions in the stomach and the low permeability across the intestinal epithelium.

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. Oramed is preparing to commence two concurrent Phase 3 trials, having already submitted finalized protocols to the FDA.

Potential catalysts for shares of ORMP. We believe the following could act as major catalysts ahead for shares of ORMP: (1) Phase 3 trial announcements, including potential FDA meeting updates, (2) subsequent initiation of the trial if approved to proceed by the FDA, along with 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 | Nov 1Q20 | Feb 2Q20 | May 3Q20 | Aug 4Q20E | FY2020E | Nov 1Q21E | Feb 2Q21E | May 3Q21E | Aug 4Q21E | FY2021E | FY2022E |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net Revenue | \$2,449 | \$2,703 | \$674 | \$674 | \$681 | \$680 | \$2,709 | \$680 | \$680 | \$680 | \$680 | \$2,720 | \$2,720 |
| % Change yr-yr | | 10.4% | 0.0% | 1.2% | -0.1% | -0.1% | 0.2% | 0.9% | 0.9% | -0.1% | 0.0% | 0.4% | 0.0% |
| Research & development | 11,979 | 13,522 | 2,022 | 3,320 | 1,925 | 2,700 | 9,967 | 3,200 | 3,200 | 3,200 | 3,200 | 12,800 | 12,800 |
| General & administrative | 3,997 | 3,812 | 1,081 | 1,391 | 1,030 | 1,200 | 4,702 | 1,100 | 1,100 | 1,150 | 1,150 | 4,500 | 4,800 |
| Operating Income | (13,527) | (14,631) | (2,429) | (4,037) | (2,274) | (3,220) | (11,960) | (3,620) | (3,620) | (3,670) | (3,670) | (14,580) | (14,880) |
| Interest and other expense | (800) | (576) | 114 | (349) | 10 | 10 | (215) | 10 | 10 | 10 | 10 | 40 | 40 |
| Pretax income | (12,727) | (14,055) | (2,543) | (3,688) | (2,284) | (3,230) | (11,745) | (3,630) | (3,630) | (3,680) | (3,680) | (14,620) | (14,920) |
| Provision for Income Taxes | 0 | 300 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net income (loss) | (12,727) | (14,355) | (2,543) | (3,688) | (2,284) | (3,230) | (11,745) | (3,630) | (3,630) | (3,680) | (3,680) | (14,620) | (14,920) |
| Diluted earnings per share: | (\$0.86) | (\$0.82) | (\$0.15) | (\$0.21) | (\$0.10) | (\$0.14) | (\$0.57) | (\$0.15) | (\$0.15) | (\$0.16) | (\$0.16) | (\$0.62) | (\$0.57) |
| Avg diluted shares outstanding | 14,882 | 17,454 | 17,472 | 17,818 | 23,215 | 23,525 | 20,508 | 23,525 | 23,525 | 23,525 | 23,525 | 23,525 | 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.

For important disclosures go to www.aegiscap.com.

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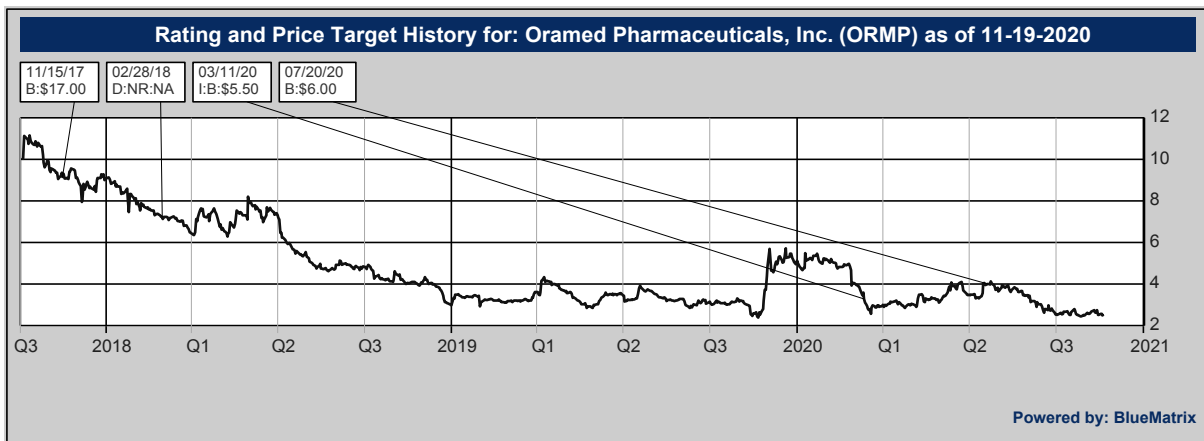
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**Investment Banking
Services/Past 12 Mos.**

| Rating | Percent | Percent |
|--------------------|--------------|--------------|
| BUY [BUY] | 91.78 | 35.82 |
| HOLD [HOLD] | 8.22 | 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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