



August 7, 2014

Key Metrics

ORMP - NASDAQ	\$8.60
Pricing Date	Aug 6 2014
Price Target	\$32.00
52-Week Range	\$31.73 - \$6.12
Shares Outstanding (mm)	10.0
Market Capitalization (\$mm)	\$86.0
3-Mo Average Daily Volume	90,655
Institutional Ownership	0%
Debt/Total Capital	NM
ROE	NM
Book Value/Share	\$2.21
Price/Book	3.9x
Dividend Yield	NM
LTM EBITDA Margin	NM

EPS (\$) FY: August

	2013A	Prior 2014E	Curr. 2014E	Prior 2015E	Curr. 2015E
1Q-Nov	(0.14)	--	(0.14)A	--	(0.21)E
2Q-Feb	(0.19)	--	(0.12)A	--	(0.23)E
3Q-May	(0.19)	--	(0.15)E	--	(0.23)E
4Q-Aug	(0.09)	--	(0.19)E	--	(0.23)E
FY	(0.59)	--	(0.54)E	--	(0.91)E
P/E	NM		NM		NM



Source: BigCharts.com

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

Phase 2a Trial Treatment Completion

Investment Highlights:

- **Last Patient Completes Dosing In Phase 2a Trial.** This morning, Oramed Pharmaceuticals reported that the last patient had completed therapy in its Phase 2a trial of ORMD-0801, the firm's proprietary oral insulin capsule formulation, in treatment of Type 1 diabetes. Top-line data from this study are expected in the fourth quarter of this year. We reiterate our Buy rating and 15-month price target of \$32.00 per share on ORMP.
- **Type 1 Diabetes A Significant Unmet Medical Need.** Type 1 diabetes is an autoimmune disease in which the pancreatic beta cells responsible for insulin secretion are attacked by the immune system. In the absence of self-produced insulin and the concomitant glyceemic control, extraneous insulin is necessary to regain glyceemic control and prevent future disease complications that include heart disease, blood vessels disease, nerve and eye disease, infections, hypoglycemic events and many more ailments. According to the International Diabetes Federation, type 1 diabetes is on the rise at a rate of 3% per year and currently affects approximately 36 million people worldwide - about 10% of the global diabetes population. The disease was formerly known as juvenile diabetes, and currently affects both pediatric and adult populations.
- **Value Drivers Ahead.** Oramed's Phase 2a trial in Type 1 diabetes patients enrolled 24 subjects, who were randomized in a 2:1 ratio to receive either ORMD-0801 or placebo. Top-line data are expected later this year. We also expect Oramed to begin Phase 2b development with ORMD-0801. Positive Phase 2b data could set the scene for a licensing transaction or an acquisition by an established diabetes market participant such as AstraZeneca (AZN/NYSE, Not Rated), Novartis (NVS/NYSE, Not Rated), Novo Nordisk (NVO/NYSE, Not Rated), or Sanofi S.A. (SNY/NYSE, Not Rated).
- **Valuation Upside.** In our view, with positive Phase 2a data in hand and a Phase 2b trial under way, Oramed could trade at an enterprise value of approximately \$300mm in 18 months' time. The firm has a highly differentiated technology platform. To date, since inception in 2006, Oramed has accumulated a total deficit of only ~\$40mm, demonstrating its cost-effectiveness.

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

FY end August 31

\$ in thousands, except per share data

	2012A	2013A	2014E				2015E					
			1QA	2QA	3QE	4QE	2014E	1QE	2QE	3QE	4QE	2015E
Revenue												
Product revenue	-	-	-	-	-	-	-	-	-	-	-	-
Service revenue	-	-	-	-	-	-	-	-	-	-	-	-
Research and other	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue	-	-	-	-	-	-	-	-	-	-	-	-
Expenses												
Cost of product and service revenue	-	-	-	-	-	-	-	-	-	-	-	-
Research & development	1,681	2,272	751	673	800	1,100	3,324	1,200	1,300	1,400	1,500	5,400
Selling and marketing	-	-	-	-	-	-	-	-	-	-	-	-
General and administrative	1,203	2,032	418	512	700	800	2,430	900	1,000	1,100	1,200	4,200
Total expenses	2,884	4,304	1,168	1,186	1,500	1,900	5,754	2,100	2,300	2,500	2,700	9,600
Gain (loss) from operations	(2,884)	(4,304)	(1,168)	(1,186)	(1,500)	(1,900)	(5,754)	(2,100)	(2,300)	(2,500)	(2,700)	(9,600)
Other income/expense												
Financial income	13	180	46	74	60	30	210	-	-	-	-	-
Financial expense	(199)	(313)	(2)	(3)	(3)	(3)	(12)	(30)	(30)	(30)	(30)	(120)
Realized loss on marketable securities	(184)	-	5	48	-	-	54	-	-	-	-	-
Reclassification adjustment	-	-	(18)	(26)	-	-	(44)	-	-	-	-	-
Unrealized gain on available-for-sale securities	-	-	44	490	-	-	534	-	-	-	-	-
Total investment income and other	(370)	(133)	75	584	57	27	742	(30)	(30)	(30)	(30)	(120)
Loss before provision for income taxes	(3,254)	(4,437)	(1,094)	(602)	(1,443)	(1,873)	(5,012)	(2,130)	(2,330)	(2,530)	(2,730)	(9,720)
Deferred income tax benefit	(90)	205	-	-	-	-	-	-	-	-	-	-
Net loss/income	(3,344)	(4,232)	(1,094)	(602)	(1,443)	(1,873)	(5,012)	(2,130)	(2,330)	(2,530)	(2,730)	(9,720)
Net loss per share (basic)	(0.57)	(0.59)	(0.14)	(0.12)	(0.15)	(0.19)	(0.54)	(0.21)	(0.23)	(0.23)	(0.23)	(0.91)
Net loss per share (diluted)	(0.57)	(0.59)	(0.14)	(0.12)	(0.15)	(0.19)	(0.54)	(0.21)	(0.23)	(0.23)	(0.23)	(0.91)
Weighted average number of shares outstanding (basic)	5,884	7,209	7,941	9,128	9,859	9,968	9,224	10,018	10,068	10,868	11,668	10,655
Weighted average number of shares outstanding (diluted)	5,884	7,209	7,941	9,128	9,859	9,968	9,224	10,018	10,068	10,868	11,668	10,655

Source: Company Reports and Aegis Capital Corp. estimates

Required Disclosures

Price Target

Our 15-month price target is \$32.00 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 \$315 million, which translates into a price objective of \$32.00 per share, assuming roughly \$45 million in cash and approximately 14 million shares outstanding (fully-diluted) as of the end of fiscal 2015.

Risk Factors

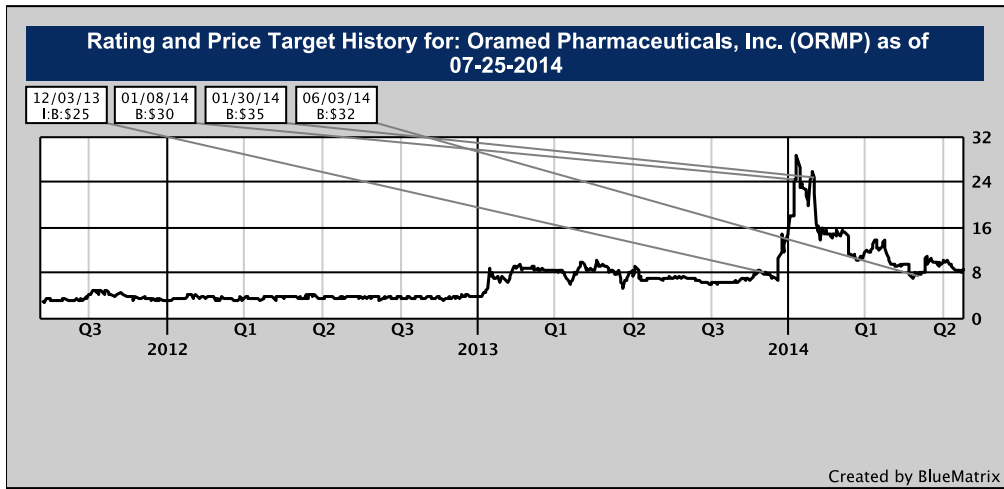
Issues that could prevent the achievement of our price objective include, but are not limited to, clinical, regulatory, competitive, reimbursement and financial risks. Drugs in clinical development may not advance due to inadequate safety, efficacy, or tolerability. Regulatory agencies may decline to 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]	81.13	51.16
HOLD [HOLD]	18.87	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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