

Important disclosures can be found on pages 9 - 13 of this report.

Oramed Pharmaceuticals Inc. (ORMP – \$6.61*)

Company Update

Jerusalem, Israel
January 19, 2016

Outperform
Price Target: \$15.00

STOCK DATA

52-Week Range	\$10.74 – \$3.71
3-Month ADTV	149,982
Dividend Yield	NA
Market Cap (mil)	\$86.6
Shares Outstanding (mil)	13.1
Beta	(0.39)
Float (%)	78.8
Fiscal Year-End	August

EARNINGS DATA

EPS	2015A	2016E	2017E
1Q	(\$0.19)	(\$0.21)A	—
2Q	(\$0.15)	(\$0.20)	—
3Q	(\$0.15)	(\$0.21)	—
4Q	(\$0.18)	(\$0.23)	—
FY	(\$0.67)	(\$0.85)	(\$0.87)
Prior FY	--	(\$0.72)	(\$0.69)

BALANCE SHEET DATA

	1Q16
Cash & Equivalents	\$15.1
Current Assets	\$15.2
Total Assets	\$23.9
Total Liabilities	\$1.3
Total Stockholder Equity	\$22.5
Total Debt	\$0.0

\$ in millions.

F1Q16 Earnings Recap: Focus Remains on Phase IIb Data in 2Q16 with ORMD-0801

Summary and Recommendation

Oramed Pharmaceuticals recently reported fiscal first-quarter earnings per share of (\$0.21) as compared to (\$0.18) in F4Q15. While Oramed does not host a conference call, we saw several positive developments in the company's 10-Q filing for the first quarter. We expect Oramed to report Phase IIb data with ORMD-0801 in 2Q16, which has the potential to be a major inflection point for the stock. Additionally, the company is conducting a non-FDA-approved study with ORMD-0901, which we anticipate will be completed in 1Q16. As a reminder, Oramed is developing two clinical candidates: ORMD-0801, an oral insulin analog for the treatment of type 1 and type 2 diabetes (T1D and T2D); and ORMD-0901, an oral GLP-1 analog for the treatment of T2D. We also provide our quarterly estimates for fiscal year 2016 within our note. Overall, we are encouraged by Oramed's progress during the quarter, remain focused on the Phase IIb data readout, and reiterate our Outperform rating on the shares.




Key Points

- **Phase IIb readout with ORMD-0801 will be the main event of 2016.** Oramed remains on track with its ongoing Phase IIb study of ORMD-0801 in patients with T2D. We remind investors that the Phase IIb trial is a 180-patient study being conducted at 30 different sites within the U.S. We expect the last patient in this study to complete the trial during 1Q16 with an anticipated data readout in 2Q16. The Phase IIb results could potentially help clarify the existence of a dose-related effect, which were unclear due to a reported manufacturing fault with the 16 mg capsule.
- **HTIT licensing deal closes, further validating ORMD-0801's potential.** In December 2015, Oramed closed an out-licensing agreement with Hefei Tianhui Incubation of Technologies Co. (HTIT). In exchange for the exclusive commercial rights of ORMD-0801 in Greater China, HTIT agreed to purchase 1.155M shares of ORMP at an approximate price of \$10.39. Under the agreement, Oramed received a milestone payment of \$3 million earlier this month and has the potential to receive aggregate total milestone payments of approximately \$35 million with an additional royalty of up to 10% on net sales in Greater China. We also note that Oramed expects to partner ORMD-0801 for later-stage development in the U.S.
- **Time lines for ORMD-0901, Oramed's oral GLP analog.** In August 2015, Oramed initiated a non-FDA-approved clinical trial with ORMD-0901, which is expected to conclude in 1Q16. Additionally, the company expects to initiate IND-enabling studies in 2Q16, followed by an immediate IND filing and initiation of a large, Phase II multi-center U.S. trial in 4Q16.
- **Earnings details.** During the quarter, R&D spending increased to \$1.9 million from \$1.4 million in F4Q15. G&A spend decreased to \$0.5 million from \$0.7 million in F4Q15. The company reported a cash and equivalents balance of \$15.1 million, which provides sufficient cash runway into F2H17 including payments from the HTIT deal.

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The Debate™

Debatable Point	Our Thoughts	Time Frame	Impact
Will ORMD-0801 show positive safety and efficacy in the current Phase IIb study?	We have reviewed the previous Phase IIa study results to handicap the potential success of ORMD-0801 in the current Phase IIb study. Overall, ORMD-0801 showed a consistent and short-acting rise in plasma insulin, which positively decreased plasma glucose levels with the 8 mg capsule (16 mg dose). We note that these results can only be described as trends, as the study was not powered to show statistical significance. In the 24 mg dose, there was a manufacturing fault associated with the 16 mg capsule, which makes us uncertain regarding the existence of a dose-related effect. That being said, we think there is a significant market opportunity for oral insulin if the Phase IIb outcome is positive, and we view the risk/reward profile as favorable.	3 to 6 Months	
Will Oramed successfully partner ORMD-0801 to support late-stage clinical trials, approval, and commercialization?	If ORMD-0801 is shown to be both safe and effective, Oramed plans to ultimately seek a strategic partner or partners with extensive drug development experience and marketing capabilities. Given the size and scope (approximately 3,000 patients over 24 weeks) of a Phase III program in T1D and T2D, we would expect Oramed to attempt to partner ORMD-0801 after the Phase II studies are complete. The strategic partner(s) would be responsible for global clinical trials, post-marketing studies, and label expansion, which are outside of Oramed's core developmental capabilities. We expect to see a partnership or partnerships following Phase IIb data, which should read out in 2Q16.	6 to 18 Months	
Will Oramed's oral GLP-1 candidate (ORMD-0901) prove to be safe and effective in T2D patients?	ORMD-0901 is an oral exenatide GLP-1 analog-based preparation designed with Oramed's oral formulation technology. Oramed completed non-FDA-approved clinical trials of ORMD-0901 in healthy volunteers at a medical center in Jerusalem. The first-in-human study demonstrated retained biological activity on insulin excursions after oral administration of ORMD-0901 followed by an oral glucose load. While these data are encouraging and provide a rationale for advanced development, only six subjects were analyzed for safety, and only four subjects were considered for the efficacy evaluations due to adverse events reported upon glucose load.	2 Years+	

Investment Thesis

Given its focus on developing orally administered peptides that are currently available only as injectables, we view Oramed as owning platform technology with a strong patent estate. We believe the data for both ORMD-0801 and ORMD-0901 are compelling and would be buyers of the stock at these levels.

Valuation

Our \$15 price target is based on probability-weighted DCF and sum-of-the-parts (SOTP) analyses of the commercial opportunities available to the company. Our model incorporates a 13.5% discount rate and a 3% growth rate, which is in line with development-stage companies.

Catalysts/Milestones

- 1Q16: complete Phase Ib ex-U.S. study with ORMD-0901 in T2D.
- 2Q16: Phase IIb study data readout with ORMD-0801 oral insulin.
- 4Q16: initiate Phase II multi-center study with ORMD-0901 oral GLP-1 analog.

Valuation Methodology

Our \$15 price target is based on probability-weighted DCF and sum-of-the-parts (SOTP) analyses of the commercial opportunities available to the company. Our model incorporates a 13.5% discount rate, which is in line with development-stage companies. We ascribe a 20% probability of success (PoS) to ORMD-0801 in T1D and T2D, as we are keen on seeing the results of the Phase IIb trial without the use of the 16 mg capsule. Our SOTP analysis shows that 75% of the total value of ORMP can be ascribed to ORMD-0801 T2D, given its large market size relative to T1D, and ORMD-0901 GLP-1 for T2D patients. We ascribe a 10% PoS to ORMD-0901, which completed a Phase I study in healthy volunteers.

ORMP Sum-of-the-Parts Analysis (\$ in Millions)

	EV	PoS	=	EV		Per Diluted Share	
ORMD-0801 - T2D	715.3	* 20.0%	=	143.1	75%	11.24	75%
ORMD-0801 - T1D	118.1	* 20.0%	=	23.6	12%	1.86	12%
ORMD-0901 GLP-1 - T2D	246.9	* 10.0%	=	24.7	13%	1.94	13%
Total Firm Value	1,080.3	* 17.7%	=	191.4	100%	15.04	100%
Total Equity Value				191.4	100%	15.04	100%
Fully Diluted Shares						12.7	

Source: FBR Research

ORMP DCF Analysis (\$ in Millions)

Present Value of FCF	1,080.3
Blended PoS	0.18
Present Value of Equity	191.4
Diluted Shares Outstanding	12.7

Equity Value per Share	\$ 15.04
Upside/(Downside) Potential	130.6%

Terminal Value Summary

Perpetual Growth Rate	2.0%
Terminal Free Cash Flow	444.2
Terminal Value	3,870.3
Present Value of FCF	1,080.3
Present Value of TV	609.8
Terminal Value % of EV	56.4%

Source: FBR Research

Risks

Clinical risks. The development of clinical drug candidates is inherently risky and may never lead to marketable products. Oramed's lead drug candidate, ORMD-0801, is at an early stage of clinical development and depends on third-party suppliers for raw materials. As the company does not control these parties, it is not able to guarantee that the clinical operations will be performed in a timely and adequate manner.

Competitive risks. Several companies are developing candidates or marketing products for the same treatment indications for which Oramed is developing product candidates. These candidates or products may negatively affect future pricing power or market opportunities for Oramed's developmental candidates.

Financial risks. Oramed is currently developing several clinical candidates and may need additional funds in the future to continue research and development programs and for the commercialization of its products.

Liquidity risk. The company has a relatively small float with a market capitalization under \$100 million on common shares outstanding. Investors could potentially be at risk of finding a liquid market to buy or sell shares.

Regulatory risks. There is a risk that the company will be unable to receive regulatory approvals or experience delays in receiving approval. Additionally, the company must obtain several foreign regulatory approvals to be able to sell products internationally.

Manufacturing risks. Oramed may be unable to manufacture or contract with third parties for the manufacture of insulin-based applications and/or other orally digestible drugs.

Company Profile

Oramed Pharmaceuticals Inc. develops a proprietary platform technology focused on creating orally administered oral polypeptides. The company has two oral candidates in development in the diabetes space: ORMD-0801, an insulin analog for type 1 diabetes (T1D) and type 2 diabetes (T2D); and ORMD-0901, an oral GLP-1 analog for type 2 diabetes (T2D). ORMD-0801 is currently in a Phase IIb study in T2D patients, which is expected to read out in 2Q16. In 4Q16, Oramed plans to initiate a Phase II multi-site study with ORMD-0901 under a U.S. IND.

Income Statement—Oramed Pharmaceuticals Inc. (ORMP)

\$ in Millions

	2012A	2013A	2014A	2015A	1Q16A	2Q16E	3Q16E	4Q16E	2016E	2017E	2018E	2019E	2020E
Royalties													
ORMD 0801- T2D	-	-	-	-	-	-	-	-	-	-	-	-	5.3
ORMD 0801- T1D	-	-	-	-	-	-	-	-	-	-	-	-	-
ORMD-0901 -T2D	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Product Royalties	-	-	-	-	-	-	-	-	-	-	-	-	5.3
Gross Profit	-	-	-	-	-	-	-	-	-	-	-	-	5.3
Operating Expenses:													
Research and Development	(1.7)	(2.3)	(3.3)	(4.8)	(1.9)	(2.0)	(2.0)	(2.1)	(8.0)	(9.3)	(10.8)	(12.1)	(12.9)
Selling, General and Administrative	(1.2)	(2.0)	(2.6)	(2.6)	(0.5)	(0.6)	(0.7)	(0.8)	(2.7)	(3.2)	(3.6)	(4.2)	(4.6)
Total Operating Expenses	(2.9)	(4.3)	(5.9)	(7.4)	(2.4)	(2.6)	(2.7)	(2.9)	(10.7)	(12.4)	(14.4)	(16.3)	(17.6)
<i>Growth</i>	18%	49%	37%	25%	13%	6%	6%	7%	45%	16%	16%	13%	8%
<i>% of Revenue</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	331%
Operating Profit/(Loss) (EBIT)	(2.9)	(4.3)	(5.9)	(7.4)	(2.4)	(2.6)	(2.7)	(2.9)	(10.7)	(12.4)	(14.4)	(16.3)	(12.3)
<i>Growth</i>	18%	49%	37%	25%	13%	6%	6%	7%	45%	16%	16%	13%	-25%
Financial income	0.0	0.2	0.2	0.2	0.1	0.0	0.0	0.0	0.1	0.1	0.6	0.4	0.4
Financial expenses	(0.2)	(0.3)	(0.0)	(0.0)	(0.0)	-	-	-	(0.0)	(0.3)	(0.9)	(1.6)	(2.2)
Other Income (Expense), Net	(0.2)	-	-	-	-	-	-	-	-	-	-	-	-
Net Profit/(Loss) - Pretax	(3.3)	(4.4)	(5.7)	(7.2)	(2.4)	(2.6)	(2.7)	(2.9)	(10.6)	(12.6)	(14.8)	(17.5)	(14.0)
<i>Tax Rate</i>	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
(Taxes)/Tax Benefits	(0.1)	0.2	(0.0)	0.0	-	-	-	-	-	-	-	-	-
Net Income (After Taxes)	(3.3)	(4.2)	(5.7)	(7.2)	(2.4)	(2.6)	(2.7)	(2.9)	(10.6)	(12.6)	(14.8)	(17.5)	(14.0)
<i>Growth</i>	114%	27%	35%	27%	13%	8%	5%	7%	47%	19%	17%	18%	-20%
Basic Net Profit/ (Loss) per Common Share	(0.57)	(0.59)	(0.62)	(0.67)	(0.21)	(0.20)	(0.21)	(0.23)	(0.85)	(0.87)	(0.80)	(0.95)	(0.76)
<i>Weighted Average Shares Outstanding</i>	5.9	7.2	9.2	10.8	11.6	12.7	12.7	12.7	12.4	14.4	18.4	18.4	18.4
<i>Growth</i>	-91%	23%	28%	17%	1%	10%	0%	0.0%	15%	16%	28%	0%	0%
Diluted Net Profit/ (Loss) per Common Share	(0.57)	(0.59)	(0.62)	(0.67)	(0.21)	(0.20)	(0.21)	(0.23)	(0.85)	(0.87)	(0.80)	(0.95)	(0.76)
<i>Fully Diluted Average Shares</i>	5.9	7.2	9.2	10.8	11.6	12.7	12.7	12.7	12.4	14.4	18.4	18.4	18.4
<i>Growth</i>	-91%	23%	28%	17%	1%	10%	0%	0.0%	15%	16%	28%	0%	0%

Proprietary to FBR Capital Markets & Co. January 19, 2016
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Source: Company reports and FBR Research

Balance Sheet—Oramed Pharmaceuticals Inc. (ORMP)

\$ in Millions

	2012A	2013A	2014A	2015A	1Q16A	2Q16E	3Q16E	4Q16E	2016E	2017E	2018E	2019E	2020E
Current assets:													
Cash and cash equivalents	4.4	2.3	1.8	3.2	1.9	12.3	10.5	8.1	8.1	36.9	76.7	83.9	92.3
Short-term deposits	0.5	5.2	18.5	11.9	11.1	10.2	9.4	8.9	8.9	6.7	5.0	5.2	5.4
Marketable securities	0.2	1.0	1.0	2.1	2.0	1.9	1.8	1.7	1.7	1.3	1.1	1.1	1.2
Restricted cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable - other	0.1	-	-	-	-	-	-	-	-	-	-	-	0.4
Prepaid expenses and other current assets	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Related parties	0.0	0.0	0.3	-	-	-	-	-	-	-	-	-	-
Grants receivable from the Office of the Chief Scientist	0.1	0.1	0.1	-	-	-	-	-	-	-	-	-	-
Total current assets	5.3	8.6	21.8	17.4	15.2	24.6	21.8	18.9	18.9	45.1	82.9	90.3	99.6
Investment in a joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-
Long-term deposits and investment	0.0	0.0	0.0	8.0	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1
Marketable securities	-	-	-	0.9	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Amounts funded for employee rights upon retirement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property and equipment, net	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.3	0.6	1.0	3.0
Total assets	5.3	8.7	21.8	26.4	23.9	33.3	30.6	27.7	27.7	54.0	92.2	100.0	111.2
Liabilities and stockholders' equity													
Current liabilities:													
Accounts payable and accrued expenses	0.6	0.5	0.9	1.0	0.8	0.8	0.8	0.8	0.8	0.8	0.8	1.1	1.3
Advance on account of license agreement	-	-	-	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Related parties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Account payable with former shareholder	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	0.6	0.5	1.0	1.5	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.6	1.8
Warrants	0.6	-	-	-	-	-	-	-	-	-	-	-	-
Long-term debt	-	-	-	-	-	-	-	-	-	25.0	50.0	75.0	100.0
Employee rights upon retirement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provision for uncertain tax position	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total liabilities	1.5	0.5	1.0	1.5	1.3	1.3	1.3	1.3	1.3	26.3	51.3	76.7	101.9
Common stock	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Additional paid-in capital	21.6	29.9	48.0	59.2	59.7	71.7	71.7	71.7	71.7	85.7	113.7	113.7	113.7
Accumulated other comprehensive income	-	0.3	0.5	0.6	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Accumulated Loss	(17.9)	(22.1)	(27.8)	(35.1)	(37.4)	(40.0)	(42.7)	(45.7)	(45.7)	(58.3)	(73.1)	(90.6)	(104.6)
Total stockholders' (deficit) equity	3.8	8.1	20.8	24.8	22.5	32.0	29.2	26.3	26.3	27.7	40.9	23.4	9.4
Total liabilities and stockholders' equity	5.3	8.7	21.8	26.4	23.9	33.3	30.6	27.7	27.7	54.0	92.2	100.0	111.2

Proprietary to FBR Capital Markets & Co. January 19, 2016

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Source: Company reports and FBR Research

Discounted Cash Flow (DCF) Analysis—Oramed Pharmaceuticals Inc. (ORMP)

§ in Millions

	2015A	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	TVE
EBIT	(7.4)	(10.7)	(12.4)	(14.4)	(16.3)	(12.3)	0.4	51.6	124.7	232.7	352.4	411.6	459.8	514.8	577.5	649.1	
Effective Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	
Tax Expense	-	-	-	-	-	-	-	-	(37.4)	(69.8)	(105.7)	(123.5)	(137.9)	(154.4)	(173.2)	(194.7)	
NOPAT	(7.4)	(10.7)	(12.4)	(14.4)	(16.3)	(12.3)	0.4	51.6	87.3	162.9	246.7	288.1	321.9	360.3	404.2	454.4	
Add: Depreciation & Amortization	0.0	0.0	0.0	0.0	0.1	0.2	0.4	1.5	1.9	2.7	4.2	6.5	8.8	11.3	13.8	16.4	
Less: Change in Working Capital	0.9	(0.2)	(0.0)	(0.0)	0.3	(0.2)	(0.9)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	
Less: Capital Expenditures	(0.0)	(0.1)	(0.2)	(0.3)	(0.5)	(2.1)	(7.8)	(3.6)	(7.3)	(12.9)	(19.2)	(22.4)	(25.0)	(28.0)	(31.4)	(35.3)	
Unlevered Free Cash Flow	(6.5)	(11.0)	(12.6)	(14.7)	(16.4)	(14.5)	(7.7)	49.5	81.8	152.7	231.7	272.2	305.7	343.6	386.6	435.5	
Terminal Value																	444.2
Total Free Cash Flows	(6.5)	(11.0)	(12.6)	(14.7)	(16.4)	(14.5)	(7.7)	49.5	81.8	152.7	231.7	272.2	305.7	343.6	386.6	435.5	444.2
Discount Period	0.4	0.6	1.6	2.6	3.6	4.6	5.6	6.6	7.6	8.6	9.6	10.6	11.6	12.6	13.6	14.6	14.6
Discount Factor	-	0.9	0.8	0.7	0.6	0.6	0.5	0.4	0.4	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Discounted Free Cash Flows	-	(10.2)	(10.3)	(10.6)	(10.4)	(8.1)	(3.8)	21.4	31.2	51.4	68.7	71.1	70.4	69.7	69.1	68.6	70.0

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Source: Company reports and FBR Research

Sum-of-the-Parts (SOTP) Analysis—Oramed Pharmaceuticals Inc. (ORMP)

\$ in Millions

	2015A	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	TVE
ORMD-0801 - T2D																	
Royalty Revenue					-	5	12	57	83	174	225	261	303	352	409	475	
Gross Income	-	-	-	-	-	5	12	57	83	174	225	261	303	352	409	475	
R&D Share	(4)	(7)	(8)	(10)	(10)	(11)	(11)	(11)	(12)	(14)	(16)	(18)	(21)	(25)	(29)	(33)	
G&A Share	(2)	(2)	(3)	(3)	(4)	(4)	(5)	(5)	(5)	(6)	(7)	(7)	(8)	(9)	(10)	(11)	
Operating Income	(6.6)	(9.6)	(11.1)	(12.8)	(14.2)	(9.6)	(3.3)	40.9	65.3	154.2	202.5	235.6	274.2	318.9	370.9	431.3	
Less: Tax	-	-	-	-	-	-	-	-	(20)	(46)	(61)	(71)	(82)	(96)	(111)	(129)	
NOPAT	(7)	(10)	(11)	(13)	(14)	(10)	(3)	41	46	108	142	165	192	223	260	302	
Plus: Share of Noncash	1	(0)	(0)	(0)	(0)	(2)	61	(2)	(3)	(7)	(9)	(9)	(10)	(10)	(11)	(13)	
Unlevered FCF	(6)	(10)	(11)	(13)	(14)	(11)	58	39	43	101	133	156	182	213	248	289	2,571
Discount Factor	-	0.9	0.8	0.7	0.6	0.6	0.5	0.4	0.4	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Discounted FCF	-	(9)	(9)	(9)	(9)	(6)	28	17	16	34	39	41	42	43	44	46	405
																	ORMD-0801 - T2D
																	715
ORMD-0801 - T1D																	
Royalty Revenue	-	-	-	-	-	-	3	5	22	29	54	63	65	68	71	74	
Gross Income	-	-	-	-	-	-	3	5	22	29	54	63	65	68	71	74	
R&D Share	(0)	(0)	(0)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(3)	(3)	(3)	(3)	(4)	(4)	
G&A Share	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(1)	
Operating Income	(0.4)	(0.5)	(0.6)	(0.8)	(0.9)	(1.1)	1.3	3.9	20.8	27.1	51.2	59.3	61.8	64.4	67.0	69.8	
Less: Tax	-	-	-	-	-	-	-	-	(6)	(8)	(15)	(18)	(19)	(19)	(20)	(21)	
NOPAT	(0)	(1)	(1)	(1)	(1)	(1)	1	4	15	19	36	42	43	45	47	49	
Plus: Share of Noncash	0	(0)	(0)	(0)	(0)	(0)	(24)	(0)	(1)	(1)	(2)	(2)	(2)	(2)	(2)	(2)	
Unlevered FCF	(0)	(1)	(1)	(1)	(1)	(1)	(23)	4	14	18	34	39	41	43	45	47	416
Discount Period	0.4	0.6	1.6	2.6	3.6	4.6	5.6	6.6	7.6	8.6	9.6	10.6	11.6	12.6	13.6	14.6	
Discount Factor	-	0.9	0.8	0.7	0.6	0.6	0.5	0.4	0.4	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Discounted FCF	-	(1)	(1)	(1)	(1)	(1)	(11)	2	5	6	10	10	9	9	8	7	66
																	ORMD-0801 - T1D
																	118
ORMD-0901 GLP-1 - T2D																	
Royalty Revenue						-	5	10	41	55	105	124	131	139	148	157	
Gross Income	-	-	-	-	-	-	5	10	41	55	105	124	131	139	148	157	
R&D Share	(0)	(0)	(1)	(1)	(1)	(1)	(2)	(2)	(2)	(3)	(5)	(6)	(7)	(7)	(7)	(8)	
G&A Share	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	
Operating Income	(0.4)	(0.5)	(0.7)	(0.9)	(1.2)	(1.6)	2.4	6.9	38.6	51.4	98.8	116.6	123.8	131.4	139.5	148.0	
Less: Tax	-	-	-	-	-	-	-	-	(12)	(15)	(30)	(35)	(37)	(39)	(42)	(44)	
NOPAT	(0)	(1)	(1)	(1)	(1)	(2)	2	7	27	36	69	82	87	92	98	104	
Plus: Share of Noncash	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.3)	(45.1)	(0.3)	(1.7)	(2.3)	(4.2)	(4.5)	(4.4)	(4.3)	(4.3)	(4.3)	
Unlevered FCF	(0)	(1)	(1)	(1)	(1)	(2)	(43)	7	25	34	65	77	82	88	93	99	883
Discount Factor	-	0.9	0.8	0.7	0.6	0.6	0.5	0.4	0.4	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Discounted FCF	-	(1)	(1)	(1)	(1)	(1)	(21)	3	10	11	19	20	19	18	17	16	139
																	ORMD-0901 GLP-1 - T2D
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Proprietary to FBR Capital Markets & Co. January 19, 2016

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Source: Company reports and FBR Research

*Closing price of last trading day immediately prior to the date of this publication unless otherwise indicated.

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(1) As of midnight on the business day immediately prior to the date of this publication.

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