

**Oramed Pharmaceuticals Inc. (ORMP – \$8.24\*)**
**Company Update**

 Jerusalem, Israel  
 July 7, 2016

**Outperform**  
 Price Target: \$20.00

**STOCK DATA**

52-Week Range	\$10.74 – \$4.15
3-Month ADTV	163,300
Dividend Yield	NA
Market Cap (mil)	\$108.2
Shares Outstanding (mil)	13.1
Beta	0.02
Float (%)	78.7
Fiscal Year-End	August

**EARNINGS DATA**

EPS	2015A	2016E	2017E
1Q	(\$0.19)	(\$0.21)A	—
2Q	(\$0.15)	(\$0.15)A	—
3Q	(\$0.15)	(\$0.16)A	—
Prior 3Q	--	(\$0.20)	--
4Q	(\$0.18)	(\$0.23)	—
Prior 4Q	--	(\$0.22)	--
FY	(\$0.67)	(\$0.76)	(\$0.79)
Prior FY	--	(\$0.78)	(\$0.81)

**BALANCE SHEET DATA**

	3Q16
Cash & Equivalents	\$35.9
Current Assets	\$26.0
Total Assets	\$38.4
Total Liabilities	\$5.7
Total Stockholder Equity	\$32.7
Total Debt	\$0.0

*\$ in millions.*

**F3Q16 Earnings: HTIT Intent to Deliver \$6.5M Milestone Payment Following Positive Phase IIb Data**
**Summary and Recommendation**

On July 6, Oramed Pharmaceuticals released its F3Q16 performance and provided a corporate update in a 10-Q filing. 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. Although the company does not host a quarterly earnings call, we saw several positive developments made during the quarter and provide four key takeaways: (1) we remain focused on full data from the Phase IIb study with ORMD-0801 in patients with Type II diabetes (T2D), which read out positive top-line data in May; (2) we believe these full data could support a partnership for late-stage development and commercialization; (3) Hefei Tianhui Incubator of Technologies Co. (HTIT), Oramed's Chinese partner for ORMD-0801, announced its intent to make a \$6.5 million milestone payment in 3Q16 per conditions of the Chinese license agreement; and (4) we expect data from a non-FDA approved study with ORMD-0901 in T2D patients in 3Q16. Overall, we believe Oramed has made significant progress during the quarter and remain focused on the full data set from the Phase IIb study with ORMD-0801.




**Key Points**

- **Focus remains on full Phase IIb data with ORMD-0801.** We remind investors that full data from the study could help clarify the existence of a dose effect and resolve concerns over a cited manufacturing fault with the 16 mg capsule. In the Phase IIb study, ORMD-0801 was dosed with 2 x 8 mg capsules and 3 x 8 mg capsules in order to avoid a potential manufacturing fault of the 16 mg capsules. We believe these data will help clarify a dose-related response, which could provide an additional catalyst for the stock. In conjunction, Oramed is conducting an ongoing glucose clamp study in order to quantify insulin absorption and measure insulin sensitivity in T2D patients.
- **HTIT declares intention to make \$6.5 million milestone payment.** In June, HTIT provided its intent to make a \$6.5 million payment following the positive Phase IIb top-line readout. Oramed remains eligible to receive approximately \$10 million to \$15 million in milestone payments, including the \$6.5 million payment expected in 3Q16. In addition to the partnership with HTIT, we see a potential partnership on the horizon, supported by the full Phase IIb study with ORMD-0801.
- **Expecting ORMD-0901 data from non-FDA-approved study in 3Q16.** Oramed announced completion of final visits for the study in T2D patients in 2Q16 and expects data from the study during this quarter. The company anticipates initiating IND-enabling studies in the first quarter of 2017, followed by an U.S. IND filing and Phase II multi-center trial in the U.S.
- **F3Q16 earnings details.** Oramed reported F3Q16 earnings per share of (\$0.16), compared with (\$0.15) in F2Q16. R&D spending increased to \$1.7 million in F3Q16 from \$1.3 million in F2Q16. G&A spend decreased to \$0.6 million from \$0.7 million in F2Q16. As of May 31, 2016, the company reported a cash and equivalents balance of \$35.9 million, which provides sufficient cash runway through 2017, according to our model.

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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?	Oramed announced positive top-line results in May from its Phase IIb study. We believe the data highlight activity of oral insulin analog ORMD-0801. Pooled data from the Phase IIb study demonstrated a statistically significant decrease of 6.47% ( $p = 0.0268$ ) in the primary endpoint of mean night-time fasting glucose at four weeks from baseline, as compared to placebo. We are interested to see additional data, including dose-related efficacy at 16 mg and 24 mg dose levels. As a reminder, the Phase IIa study showed evidence of a manufacturing fault associated with the 16 mg capsule (24 mg dose), which makes the existence of a dose-related effect less clear. That being said, we think there is a significant market opportunity for oral insulin if the full Phase IIb outcome is positive, and we view the risk/reward profile as favorable.	3 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 are expected to read out in the 3Q16.	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 remain buyers of the stock, especially at current levels.

## Valuation

Our \$20 price target is based on probability-weighted DCF and sum-of-the-parts (SOTP) analyses of the commercial opportunities available to the company.

## Catalysts/Milestones

- 3Q16: complete Phase Ib ex-U.S. study with ORMD-0901 in T2D.
- 2017: initiate Phase II multi-center study with ORMD-0901 oral GLP-1 analog.

## Valuation Methodology

Our \$20 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 30% probability of success (PoS) to ORMD-0801 in T1D and T2D. Our SOTP analysis shows that 76% 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	670.3	* 30.0%	=	201.1	76%	15.33	76%
ORMD-0801 - T1D	119.2	* 30.0%	=	35.8	14%	2.73	14%
ORMD-0901 GLP-1 - T2D	264.2	* 10.0%	=	26.4	10%	2.01	10%
Total Firm Value	1,053.7	* 25.0%	=	263.3	100%	20.07	100%
<b>Total Equity Value</b>				<b>263.3</b>	100%	<b>20.07</b>	100%
Fully Diluted Shares						13.1	

Source: FBR Research

### ORMP DCF Analysis (\$ in Millions)

Present Value of FCF	1,053.7
Blended PoS	0.25
Present Value of Equity	263.3
Diluted Shares Outstanding	13.1

Equity Value per Share **\$ 20.07**

#### Terminal Value Summary

Perpetual Growth Rate	2.0%
Terminal Free Cash Flow	404.6
Terminal Value	3,524.9
Present Value of FCF	1,053.7
Present Value of TV	589.1
<b>Terminal Value % of EV</b>	<b>55.9%</b>

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 of approximately \$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 recently completed a Phase IIb study in T2D patients, which read out positive top-line data in May 2016. In 1Q17, Oramed plans to initiate IND enabling-studies for ORMD-0901 followed by an IND and Phase II multi-site study in the U.S.

## Income Statement—Oramed Pharmaceuticals Inc. (ORMP)

\$ in Millions

	2012A	2013A	2014A	2015A	1Q16A	2Q16A	3Q16A	4Q16E	2016E	2017E	2018E	2019E	2020E
Royalties													
ORMD 0801- T2D	-	-	-	-	-	-	-	-	-	-	-	-	5.3
ORMD 0801- T1D	-	-	-	-	-	-	-	-	-	-	-	-	-
ORMD-0901 -T2D	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Product Royalties</b>	-	-	-	-	-	-	-	-	-	-	-	-	<b>5.3</b>
<b>Gross Profit</b>	-	-	-	-	-	<b>0.1</b>	<b>0.2</b>	-	<b>0.3</b>	-	-	-	<b>5.3</b>
Operating Expenses:													
Research and Development	(1.7)	(2.3)	(3.3)	(4.8)	(1.9)	(1.3)	(1.7)	(2.0)	(6.9)	(8.1)	(9.4)	(10.5)	(11.2)
Selling, General and Administrative	(1.2)	(2.0)	(2.6)	(2.6)	(0.5)	(0.7)	(0.6)	(1.1)	(2.9)	(3.4)	(3.9)	(4.5)	(4.9)
<b>Total Operating Expenses</b>	(2.9)	(4.3)	(5.9)	(7.4)	(2.4)	(2.0)	(2.3)	(3.1)	(9.8)	(11.4)	(13.3)	(15.0)	(16.1)
<i>Growth</i>	18%	49%	37%	25%	13%	-17%	12%	36%	33%	16%	16%	13%	7%
<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.	304%
<b>Operating Profit/(Loss) (EBIT)</b>	(2.9)	(4.3)	(5.9)	(7.4)	(2.4)	(2.0)	(2.3)	(3.1)	(9.8)	(11.4)	(13.3)	(15.0)	(10.8)
<i>Growth</i>	18%	49%	37%	25%	13%	-17%	12%	36%	33%	16%	16%	13%	-28%
Financial income	0.0	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.3	0.2	0.6	0.4	0.5
Financial expenses	(0.2)	(0.3)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	-	(0.1)	(0.3)	(0.9)	(1.6)	(2.2)
Other Income (Expense), Net	(0.2)	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Profit/(Loss) - Pretax</b>	(3.3)	(4.4)	(5.7)	(7.2)	(2.4)	(1.9)	(2.2)	(3.1)	(9.6)	(11.6)	(13.6)	(16.2)	(12.5)
<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	-	-	-	-	-	-	-	-	-
<b>Net Income (After Taxes)</b>	(3.3)	(4.2)	(5.7)	(7.2)	(2.4)	(1.9)	(2.2)	(3.1)	(9.6)	(11.6)	(13.6)	(16.2)	(12.5)
<i>Growth</i>	114%	27%	35%	27%	13%	-19%	11%	42%	32%	21%	17%	19%	-22%
<b>Basic Net Profit/ (Loss) per Common Share</b>	<b>(0.57)</b>	<b>(0.59)</b>	<b>(0.62)</b>	<b>(0.67)</b>	<b>(0.21)</b>	<b>(0.15)</b>	<b>(0.16)</b>	<b>(0.23)</b>	<b>(0.76)</b>	<b>(0.79)</b>	<b>(0.73)</b>	<b>(0.87)</b>	<b>(0.67)</b>
<i>Weighted Average Shares Outstanding</i>	5.9	7.2	9.2	10.8	11.6	12.7	13.1	13.1	12.6	14.6	18.6	18.6	18.6
<i>Growth</i>	-91%	23%	28%	17%	1%	9%	4%	0.0%	17%	16%	27%	0%	0%
<b>Diluted Net Profit/ (Loss) per Common Share</b>	<b>(0.57)</b>	<b>(0.59)</b>	<b>(0.62)</b>	<b>(0.67)</b>	<b>(0.21)</b>	<b>(0.15)</b>	<b>(0.16)</b>	<b>(0.23)</b>	<b>(0.76)</b>	<b>(0.79)</b>	<b>(0.73)</b>	<b>(0.87)</b>	<b>(0.67)</b>
<i>Fully Diluted Average Shares</i>	5.9	7.2	9.2	10.8	11.6	12.7	13.1	13.1	12.6	14.6	18.6	18.6	18.6
<i>Growth</i>	-91%	23%	28%	17%	1%	9%	4%	0.0%	17%	16%	27%	0%	0%

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Source: Company reports and FBR Research

## Balance Sheet—Oramed Pharmaceuticals Inc. (ORMP)

\$ in Millions

	2012A	2013A	2014A	2015A	1Q16A	2Q16A	3Q16A	4Q16E	2016E	2017E	2018E	2019E	2020E
<b>Current assets:</b>													
Cash and cash equivalents	4.4	2.3	1.8	3.2	1.9	3.2	3.3	11.3	11.3	41.1	82.1	90.8	100.7
Short-term deposits	0.5	5.2	18.5	11.9	11.1	20.3	18.0	8.9	8.9	6.7	5.0	5.2	5.4
Marketable securities	0.2	1.0	1.0	2.1	2.0	2.1	3.4	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	0.4	0.4	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	-	-	-	-	-	-	-	-	-	-
<b>Total current assets</b>	<b>5.3</b>	<b>8.6</b>	<b>21.8</b>	<b>17.4</b>	<b>15.2</b>	<b>26.0</b>	<b>25.1</b>	<b>22.0</b>	<b>22.0</b>	<b>49.3</b>	<b>88.4</b>	<b>97.2</b>	<b>107.9</b>
Investment in a joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-
Long-term deposits and investment	0.0	0.0	0.0	8.0	8.1	10.6	10.6	10.6	10.6	10.6	10.6	10.6	10.6
Marketable securities	-	-	-	0.9	0.6	1.8	0.5	0.5	0.5	0.5	0.5	0.5	0.5
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	0.0	0.1	0.1	0.3	0.5	1.0	3.0
<b>Total assets</b>	<b>5.3</b>	<b>8.7</b>	<b>21.8</b>	<b>26.4</b>	<b>23.9</b>	<b>38.4</b>	<b>36.3</b>	<b>33.2</b>	<b>33.2</b>	<b>60.7</b>	<b>100.1</b>	<b>109.4</b>	<b>122.1</b>
<b>Liabilities and stockholders' equity</b>													
<b>Current liabilities:</b>													
Accounts payable and accrued expenses	0.6	0.5	0.9	1.0	0.8	0.8	0.6	0.6	0.6	0.6	0.6	1.1	1.3
Advance on account of license agreement	-	-	-	0.5	0.5	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7
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	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>0.6</b>	<b>0.5</b>	<b>1.0</b>	<b>1.5</b>	<b>1.3</b>	<b>1.5</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.8</b>	<b>2.0</b>
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
Deferred Revenue	-	-	-	-	-	4.1	3.9	3.9	3.9	3.9	3.9	3.9	3.9
<b>Total liabilities</b>	<b>1.5</b>	<b>0.5</b>	<b>1.0</b>	<b>1.5</b>	<b>1.3</b>	<b>5.7</b>	<b>5.3</b>	<b>5.3</b>	<b>5.3</b>	<b>30.3</b>	<b>55.3</b>	<b>80.8</b>	<b>106.0</b>
Common stock	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Additional paid-in capital	21.6	29.9	48.0	59.2	59.7	71.6	71.8	71.8	71.8	85.8	113.8	113.8	113.8
Accumulated other comprehensive income	-	0.3	0.5	0.6	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Accumulated Loss	(17.9)	(22.1)	(27.8)	(35.1)	(37.4)	(39.3)	(41.3)	(44.3)	(44.3)	(55.9)	(69.5)	(85.6)	(98.2)
<b>Total stockholders' (deficit) equity</b>	<b>3.8</b>	<b>8.1</b>	<b>20.8</b>	<b>24.8</b>	<b>22.5</b>	<b>32.7</b>	<b>31.0</b>	<b>27.9</b>	<b>27.9</b>	<b>30.3</b>	<b>44.8</b>	<b>28.6</b>	<b>16.1</b>
<b>Total liabilities and stockholders' equity</b>	<b>5.3</b>	<b>8.7</b>	<b>21.8</b>	<b>26.4</b>	<b>23.9</b>	<b>38.4</b>	<b>36.3</b>	<b>33.2</b>	<b>33.2</b>	<b>60.7</b>	<b>100.1</b>	<b>109.4</b>	<b>122.1</b>

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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
<b>EBIT</b>	(7.4)	(9.6)	(11.4)	(13.3)	(15.0)	(10.8)	2.2	54.5	119.8	213.6	322.0	376.4	420.5	470.8	528.1	593.6	
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	-	-	-	-	-	-	-	-	(35.9)	(64.1)	(96.6)	(112.9)	(126.2)	(141.2)	(158.4)	(178.1)	
<b>NOPAT</b>	(7.4)	(9.6)	(11.4)	(13.3)	(15.0)	(10.8)	2.2	54.5	83.9	149.5	225.4	263.5	294.4	329.6	369.7	415.5	
Add: Depreciation & Amortization	0.0	0.0	0.0	0.0	0.1	0.1	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	3.8	(0.0)	(0.0)	0.5	(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)	
<b>Unlevered Free Cash Flow</b>	(6.5)	(5.8)	(11.6)	(13.6)	(15.0)	(13.0)	(6.0)	52.4	78.4	139.3	210.5	247.5	278.2	312.8	352.1	396.6	
Terminal Value																	404.6
<b>Total Free Cash Flows</b>	(6.5)	(5.8)	(11.6)	(13.6)	(15.0)	(13.0)	(6.0)	52.4	78.4	139.3	210.5	247.5	278.2	312.8	352.1	396.6	404.6
Discount Period	0.9	0.2	1.2	2.2	3.2	4.2	5.2	6.2	7.2	8.2	9.2	10.2	11.2	12.2	13.2	14.2	14.2
Discount Factor	-	1.0	0.9	0.8	0.7	0.6	0.5	0.5	0.4	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2
<b>Discounted Free Cash Flows</b>	-	(5.7)	(10.1)	(10.3)	(10.1)	(7.7)	(3.1)	24.1	31.7	49.7	66.2	68.6	67.9	67.3	66.8	66.3	67.6

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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
<b>ORMD-0801 - T2D</b>																	
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)	(6)	(7)	(8)	(9)	(9)	(10)	(9)	(13)	(28)	(36)	(42)	(49)	(56)	(65)	(76)	
G&A Share	(2)	(3)	(3)	(3)	(4)	(4)	(5)	(5)	(5)	(5)	(5)	(6)	(6)	(6)	(7)	(7)	
Operating Income	(6.6)	(8.9)	(10.2)	(11.7)	(13.1)	(8.4)	(1.8)	43.4	64.9	141.0	183.4	213.6	248.8	289.7	337.1	392.2	
Less: Tax	-	-	-	-	-	-	-	-	(19)	(42)	(55)	(64)	(75)	(87)	(101)	(118)	
NOPAT	(7)	(9)	(10)	(12)	(13)	(8)	(2)	43	45	99	128	150	174	203	236	275	
Plus: Share of Noncash	1	3	(0)	(0)	0	(2)	7	(2)	(3)	(7)	(9)	(9)	(10)	(10)	(11)	(12)	
Unlevered FCF	(6)	(5)	(10)	(12)	(13)	(10)	5	42	42	92	120	141	165	192	225	262	2,329
Discount Factor	-	1.0	0.9	0.8	0.7	0.6	0.5	0.5	0.4	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Discounted FCF	-	(5)	(9)	(9)	(9)	(6)	3	19	17	33	38	39	40	41	43	44	389
																	ORMD-0801 - T2D 670
<b>ORMD-0801 - T1D</b>																	
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)	(0)	(1)	(1)	(1)	(1)	(4)	(5)	(9)	(10)	(10)	(11)	(11)	(12)	
G&A Share	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	
Operating Income	(0.4)	(0.5)	(0.6)	(0.7)	(0.8)	(1.0)	1.4	4.0	18.3	24.0	45.2	52.4	54.6	56.9	59.3	61.7	
Less: Tax	-	-	-	-	-	-	-	-	(5)	(7)	(14)	(16)	(16)	(17)	(18)	(19)	
NOPAT	(0)	(0)	(1)	(1)	(1)	(1)	1	4	13	17	32	37	38	40	41	43	
Plus: Share of Noncash	0	0	(0)	(0)	0	(0)	(5)	(0)	(1)	(1)	(2)	(2)	(2)	(2)	(2)	(2)	
Unlevered FCF	(0)	(0)	(1)	(1)	(1)	(1)	(4)	4	12	16	30	34	36	38	40	41	367
Discount Period	0.9	0.2	1.2	2.2	3.2	4.2	5.2	6.2	7.2	8.2	9.2	10.2	11.2	12.2	13.2	14.2	
Discount Factor	-	1.0	0.9	0.8	0.7	0.6	0.5	0.5	0.4	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Discounted FCF	-	(0)	(1)	(1)	(1)	(1)	(2)	2	5	6	9	10	9	8	7	7	61
																	ORMD-0801 - T1D 119
<b>ORMD-0901 GLP-1 - T2D</b>																	
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)	(0)	(1)	(1)	(1)	(2)	(2)	(4)	(5)	(10)	(12)	(13)	(14)	(15)	(16)	
G&A Share	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(1)	(1)	(1)	(1)	(1)	(1)	(2)	(2)	
Operating Income	(0.4)	(0.5)	(0.6)	(0.8)	(1.1)	(1.5)	2.6	7.2	36.6	48.6	93.5	110.3	117.1	124.2	131.8	139.7	
Less: Tax	-	-	-	-	-	-	-	-	(11)	(15)	(28)	(33)	(35)	(37)	(40)	(42)	
NOPAT	(0)	(0)	(1)	(1)	(1)	(1)	3	7	26	34	65	77	82	87	92	98	
Plus: Share of Noncash	0.0	0.2	(0.0)	(0.0)	0.0	(0.3)	(9.8)	(0.3)	(1.7)	(2.3)	(4.3)	(4.7)	(4.5)	(4.4)	(4.4)	(4.4)	
Unlevered FCF	(0)	(0)	(1)	(1)	(1)	(2)	(7)	7	24	32	61	73	77	83	88	93	830
Discount Factor	-	1.0	0.9	0.8	0.7	0.6	0.5	0.5	0.4	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Discounted FCF	-	(0)	(1)	(1)	(1)	(1)	(4)	3	10	11	19	20	19	18	17	16	139
																	ORMD-0901 GLP-1 - T2D 264

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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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