

Oramed Pharmaceuticals, Inc. (ORMP)
Rating: Buy

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Integrium Services Agreement Inked; Upcoming Conference Presentation; Reiterate Buy

Stock Data		02/20/2018		
Price		\$7.31		
Exchange		NASDAQ		
Price Target		\$25.00		
52-Week High		\$11.34		
52-Week Low		\$5.85		
Enterprise Value (M)		\$78.8		
Market Cap (M)		\$105		
Public Market Float (M)		10.8		
Shares Outstanding (M)		14.4		
3 Month Avg Volume		41,630		
Short Interest (M)		0.13		
Balance Sheet Metrics				
Cash (M)		\$26.2		
Total Debt (M)		\$0.0		
Total Cash/Share		\$1.82		
Book Value/Share		\$1.59		
EPS Diluted				
Full Year - Aug	2016A	2017E	2018E	
1Q	(0.24)	(0.20)A	(0.27)	
2Q	(0.14)	(0.24)A	(0.31)	
3Q	(0.15)	(0.15)A	(0.33)	
4Q	(0.38)	(0.23)	(0.34)	
FY	(0.87)	(0.78)	(1.27)	

Integrium retained for dose-ranging study. Yesterday, Oramed indicated that it had retained the well-known clinical research organization (CRO) Integrium to serve as the primary executor of an upcoming three-month dose-ranging study designed to assess the safety and evaluate the efficacy of ORMD-0801 on HbA1c on approximately 240 Type 2 diabetics. Oramed is slated to pay Integrium a total amount of up to \$7M over the term of the engagement and based on the achievement of certain milestones. We anticipate that the dose-ranging study, which is slated to be performed under Oramed's open U.S. Investigational New Drug (IND) filing on ORMD-0801, should begin imminently. We reiterate our Buy rating and price target of \$25.00 per share on ORMP.

Upcoming conference presentation this week. Oramed also announced that it is slated to participate in the upcoming CODHy Conference—the 6th World Congress on Controversies to Consensus in Diabetes, Obesity and Hypertension—that is taking place February 21-22, 2018 in Tel Aviv, Israel. Dr. Roy Eldor, M.D., Ph.D., member of Oramed's Scientific Advisory Board, is to make a presentation entitled "A Randomized Controlled Trial of ORMD 0801 Oral Insulin in Patients with Type 2 Diabetes." The presentation is scheduled to be made in the afternoon on Thursday, February 22, 2018.

Valuation methodology, risks and uncertainties. Factoring in a 15% discount rate, a 70% probability of success for ORMD-0801, and peak annual sales of roughly \$2.1B (on which we project double-digit percentage royalties), we derive a total rNPV of \$150M. We add to this the value from Oramed's pipeline, mainly ORMD-0901, to which we ascribe a total valuation of \$210M, to derive a total firm value of \$385M. This translates into a price objective of \$25.00 per share, assuming net cash of ~\$25M and ~15M fully-diluted shares outstanding as of mid-F2018. Risks to our target include, but are not limited to: (1) delays in pivotal testing of ORMD-0801; (2) adverse results from future clinical trials; and (3) negative regulatory actions.



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

FY end August 31

\$ in thousands, except per share data

	2016A				2016A	2017E				2017E	2018E
	1QA	2QA	3QA	4QA		1QA	2QA	3QA	4QE		
Revenue											
Product revenue	-	-	-	-	-	-	-	-	-	-	-
Research and other	-	125	163	353	641	610	611	617	617	2,455	2,800
Total revenue	-	125	163	353	641	610	611	617	617	2,455	2,800
Expenses											
Cost of product and service revenue	-	-	-	490	490	187	-	-	-	187	-
Research & development	1,901	1,307	1,718	2,783	7,709	2,353	3,125	2,267	3,000	10,745	16,300
Selling and marketing	-	-	-	-	-	-	-	-	-	-	-
General and administrative	548	730	555	619	2,452	468	851	505	800	2,624	4,600
Total expenses	2,449	2,037	2,273	3,892	10,651	3,008	3,976	2,772	3,800	13,556	20,900
Gain (loss) from operations	(2,449)	(1,912)	(2,110)	(3,539)	(10,010)	(2,398)	(3,365)	(2,155)	(3,183)	(11,101)	(18,100)
Other income/expense											
Financial income	76	128	137	133	474	186	203	210	180	779	465
Financial expense	(17)	(34)	(23)	(19)	(93)	(24)	(21)	(20)	(20)	(85)	(120)
Impairment of available-for-sale securities	(406)	78	84	(208)	(452)	(63)	168	286	-	391	-
Total investment income and other	(347)	172	198	(94)	(71)	99	350	476	160	1,085	345
Loss before provision for income taxes	(2,796)	(1,740)	(1,912)	(3,633)	(10,081)	(2,299)	(3,015)	(1,679)	(3,023)	(10,016)	(17,755)
Deferred income tax benefit	-	-	-	(1,335)	(1,335)	(400)	-	-	-	(400)	-
Net loss/income	(2,796)	(1,740)	(1,912)	(4,968)	(11,416)	(2,699)	(3,015)	(1,679)	(3,023)	(10,416)	(17,755)
Net loss per share (basic)	(0.24)	(0.14)	(0.15)	(0.38)	(0.87)	(0.20)	(0.24)	(0.15)	(0.23)	(0.78)	(1.25)
Net loss per share (diluted)	(0.24)	(0.14)	(0.15)	(0.38)	(0.87)	(0.20)	(0.24)	(0.15)	(0.23)	(0.78)	(1.25)
Weighted average number of shares outstanding (basic)	11,573	12,653	13,119	13,157	12,624	13,206	13,280	13,301	13,367	13,288	14,242
Weighted average number of shares outstanding (diluted)	11,573	12,653	13,119	13,157	12,624	13,206	13,280	13,301	13,367	13,288	14,242

Source: Company reports and H.C. Wainwright & Co. estimates.

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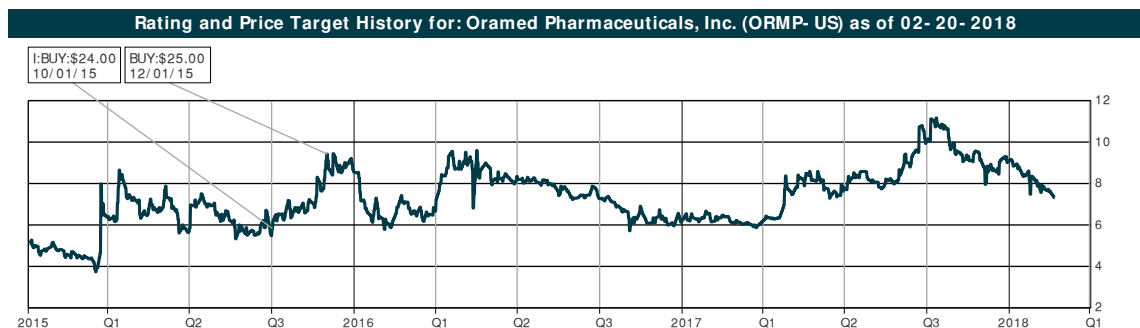
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Market Outperform (Buy): The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector.

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Distribution of Ratings Table as of February 20, 2018					
Ratings	Count	Percent	IB Service/Past 12 Months		
			Count	Percent	
Buy	245	91.76%	93	37.96%	
Neutral	13	4.87%	3	23.08%	
Sell	0	0.00%	0	0.00%	
Under Review	9	3.37%	1	11.11%	
Total	267	100%	97	36.33%	

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