

Company Update

July 7, 2015

TICKER	NASDAQ: ORMP
RATING	BUY
PRICE TARGET	\$30.00
Price (July 06, 2015)	\$6.91

Oramed Pharmaceuticals, Inc.

Sinopharm LOI For China Rights To ORMD-0801

Market Data

Market Cap (M):	\$79.8
Shares out (M):	11.6
Float (M):	9.8
Daily Vol, 3 Mo Avg (M):	0.2
52-Week Range:	\$10.44-\$3.71
Cash & Cash Eq (M):	\$3.8
Debt (M):	\$0.0
NAV (M):	NA

Cash includes short term investments, restricted cash, and deposits.

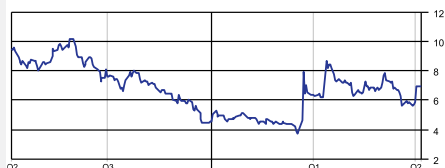
Financial Metrics

Short Interest (M):	0.7
Instit. Holdings (%):	NA
Cash Burn (M):	NA
Short Interest (% of Float):	NA

EPS	1Q	2Q	3Q	4Q	FY
2013	-0.16A	-0.17A	-0.17A	-0.17A	-0.59A
2014	-0.17A	-0.12A	-0.18A	-0.17A	-0.62A
2015	-0.19A	-0.15A	-0.18E	-0.21E	-0.72E

Note: Historical quarterly EPS figures may not add up, due to a 1:12 reverse stock split that took place in 2013.

1-Year Price History



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This morning, Oramed reported that it had executed a non-binding Letter Of Intent (LOI) with Sinopharm Capital and Hefei for the Chinese rights to Oramed's lead candidate, ORMD-0801, an oral insulin capsule formulation. In our view, the terms could, if the agreement is consummated, provide sufficient funding for Oramed to lengthen the firm's operational window past 2017. We note that the agreement structure is heavily front end-loaded, which we view as a significant advantage. Investors should be aware that Oramed's ongoing Phase IIb study could report data early next year, depending upon the pace of enrollment. We reiterate our BUY rating and 12-month target of \$30 per share.

- Sinopharm Capital / Hefei Equity Stake.** Sinopharm Capital and Hefei are slated to purchase ~10% of Oramed. Sinopharm and Hefei are purchasing 1,155,367 shares of Oramed common stock for approximately \$12MM in cash. This translates to a purchase price of roughly \$10.39 per share. The LOI includes a non-refundable cash payment to Oramed of \$500,000, which gives Sinopharm and Hefei rights to negotiate exclusively with Oramed for the oral insulin China rights for the next 60 days.
- Front End-Loaded Deal.** Sinopharm and Hefei could pay a total of \$38MM in near-term milestones - \$18MM upon signing and \$20MM upon completion of Oramed's ongoing Phase IIb study, which is slated to report results next year. Finally, the projected royalty rate to be paid to Oramed on China sales of oral insulin is 10%.
- Significant Market Opportunity.** In China, diabetes is a \$3.5B annual market and is growing at a double-digit percentage rate each year. Type II diabetics accounts for 95% of the market. On positive Phase IIb data with ORMD-0801, we expect a potential partnership agreement in developed countries and Phase III initiation by early 2017.

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VALUATION

Our PT is based on a DCF of ORMD-0801 and ORMD-0901 taken out to 2030, using a 10-15% discount rate and probabilities of success of 80% and 60%, respectively.

INVESTMENT RISK

Risks include: negative clinical trial data for either ORMD-0801 or ORMD-0901, failure to obtain strong US IP, any regulatory delays/setbacks, and dilutive financings.

FINANCIAL STATEMENTS

Exhibit 1: Income Statement – Annual with Projections

Income Statement (\$000)	FY 2013A	FY 2014A	F1QA Nov 30	F2QA Feb 28	F3QE May 31	F4QE Aug 31	FY 2015E	FY 2016E	FY 2017E	FY 2018E	FY 2019E	FY 2020E
ORMD0801 T2D royalty revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ORMD0901 royalty revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	41,543.4
ORMD0801 milestone revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	50,000.0	0.0	75,000.0	0.0
ORMD0901 milestone revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	30,000.0	0.0	50,000.0
Total revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	50,000.0	30,000.0	75,000.0	91,543.4
COGS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Profit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	50,000.0	30,000.0	75,000.0	91,543.4
R&D	2,271.8	3,277.0	1,302.0	1,136.0	1,400.0	1,600.0	5,438.0	6,500	8,500	11,000	6,500	5,500
SG&A	2,032.1	2,629.0	600.0	538.0	650.0	800.0	2,588.0	3,200	4,000	5,000	6,500	7,500
Operating profit	(4,303.9)	(5,906.0)	(1,902.0)	(1,674.0)	(2,050.0)	(2,400.0)	(8,026.0)	(9,700.0)	37,500.0	14,000.0	62,000.0	78,543.4
Financial income	180.5	223.6	27.0	38.0	0.0	0.0	65.0	0.0	0.0	0.0	0.0	0.0
Financial expense	313.4	9.6	21.0	1.0	0.0	0.0	22.0	0.0	0.0	0.0	0.0	0.0
Pre-tax profit (loss)	(4,436.9)	(5,692.0)	(1,896.0)	(1,637.0)	(2,050.0)	(2,400.0)	(7,983.0)	(9,700.0)	37,500.0	14,000.0	62,000.0	78,543.4
Tax	0.0	4.0	0.0	0.0	0.0	0.0	0.0	(2,570.5)	9,937.5	3,710.0	16,430.0	20,814.0
Other items, net	(303.4)	0.0	359.0	(7.0)	0.0	0.0	352.0	0.0	0.0	0.0	0.0	0.0
Net Income (loss)	(4,133.5)	(5,696.0)	(2,255.0)	(1,630.0)	(2,050.0)	(2,400.0)	(8,335.0)	(7,129.5)	27,562.5	10,290.0	45,570.0	57,729.4
Diluted EPS	(\$0.59)	(\$0.62)	(\$0.19)	(\$0.15)	(\$0.18)	(\$0.21)	(\$0.72)	(\$0.60)	\$1.87	\$0.70	\$3.09	\$3.91
Diluted Shares Out	7,209.3	9,244.1	10,142.0	10,826.1	11,181.3	11,538.6	11,538.6	11,895.9	14,753.3	14,753.3	14,753.3	14,753.3

Source: Company reports and MLV & Co. research

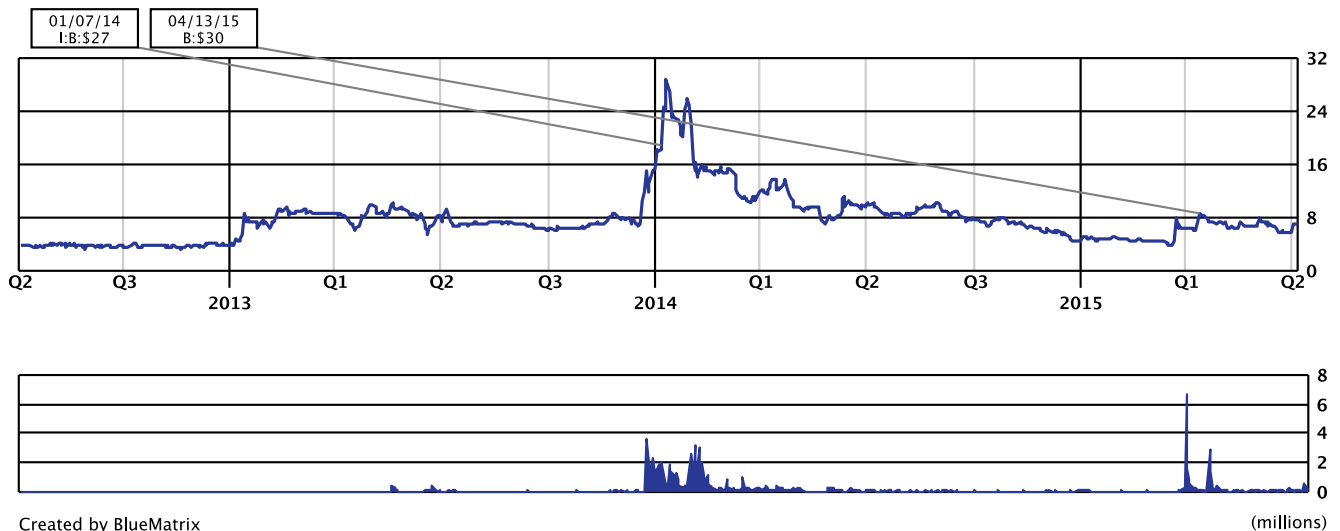
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Oramed Pharmaceuticals, Inc. (ORMP): Share Price (in USD) and Volume History as of 07-06-2015**MLV RATING ALLOCATION (as of July 06, 2015)**

BUY: MLV projects that the subject company's stock price will increase in value by 20% or more in the next 12 months.

HOLD: MLV projects that the subject company's stock price will trade in a range not more than 20% above or below its current price.

SELL: MLV projects that the subject company's stock price will decrease in value by 20% or more in the next 12 months.

Rating	COMPANIES UNDER COVERAGE		INVESTMENT BANKING SERVICE WITHIN 12 MONTHS	
	Count	Percent	Count	Percent
BUY	124	70.06%	61	34.46%
HOLD	53	29.94%	15	8.47%
SELL	0	0.00%	0	0.00%

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