

Company Update

November 4, 2014

TICKER	NASDAQ: ORMP
RATING	BUY
PRICE TARGET	\$27.00
Price (November 03, 2014)	\$7.37

## Oramed Pharmaceuticals, Inc.

### Positive Top-Line Data for 801 in Type 1 Diabetes

#### Market Data and Valuation Multiples

Market Cap (M):	\$73.4
Shares out (M):	10.0
Float (M):	7.5
Daily Vol, 3 Mo Avg (M):	0.0
52-Week Range:	\$31.73-\$6.28
Cash & Cash Eq (M):	\$2.5
Debt (M):	\$0.0
NAV (M):	NA

Cash & Cash Eq includes short-term deposits.

#### Financial Metrics

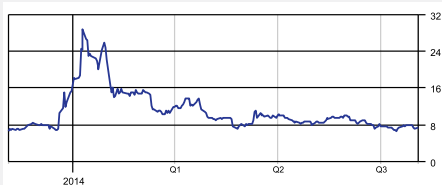
Short Interest (M):	0.8
Instit. Holdings (%):	NA
Cash Burn (M):	NA
Short Interest (% of Float):	NA

Cash Burn represents OpEx spend expected in FY2014.

EPS	1Q	2Q	3Q	4Q	FY
2013	-0.16A	-0.17A	-0.17A	-0.17A	-0.59A
2014	-0.16E	-0.19E	-0.16E	-0.13E	-0.64E

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



Created by BlueMatrix

Yesterday, Oramed released Phase 2a ORMD-0801 data in type 1 diabetics. ORMD-0801 is one of the first oral insulins to demonstrate an effect on glucose metabolism and, as such, is poised to capture a portion of the huge diabetes market. We view yesterday's news as positive for the ORMD-0801 development program and reiterate our Buy Rating.

#### Clear Signs of ORMD-0801 Efficacy; Results Encouraging by Multiple Measures.

The Phase 2a study was conducted in type 1 diabetes patients who produce no endogenous insulin. Of the 25 patients, approximately 16 received ORMD-0801 while the remainder received a placebo gel capsule. All patients received exogenous insulin injections to control glucose levels. Glucose levels were monitored, and the amount of injected insulin was adjusted in order to maintain stable blood glucose levels. While the study was not powered for significance, by day 6 to 7 of the study, patients in the ORMD-0801 arm, on average, received less supplementary injected insulin than those in the placebo arm. To us, this indicates that insulin from the orally ingested ORMD-0801 made up the difference in injected insulin. Moreover, the ORMD-0801 treated patients exhibited a pattern of reduced blood glucose compared to the placebo group, both for fasting levels (before breakfast) and during the day, despite receiving less injected insulin. Perhaps most strikingly, the ORMD-0801 treated group exhibited much higher rates of hypoglycemia than the placebo group. Fully 93% of the treated volunteers experienced a hypoglycemic event, whereas only 50% of the placebo group did. While hypoglycemia is generally a negative event, in the context of this study, hypoglycemia indicates excess insulin is getting into the system. Taken together, our interpretation of the Phase 2a results is that ORMD-0801 is delivering sufficient insulin to impact glucose level in diabetics.

**Next Step Is To Show Efficacy in Type 2 Diabetes.** Type 2 diabetes accounts for 95% of the market. Oramed plans to initiate Phase 2b studies in type 2 diabetics to determine whether ORMD-0801 can control fasting glucose levels in this population. An oral insulin pill at bedtime would be a particularly attractive way of controlling fasting glucose levels in type 2 patients who have not yet transitioned to injectable insulin. We anticipate Oramed can initiate these studies early in 2015, potentially generating results in 2016. On positive data, we expect a potential partnership and initiation of Phase 3 trials by late 2016 or early 2017.

**Oral Delivery of Insulin Has Long Been the "Holy Grail".** Many patients do not like injection as a drug delivery route. Moreover, oral insulin could potentially avoid some of the side effects of injected insulin such as hypoglycemic events and weight gain. We note Novo Nordisk is also developing an oral insulin, which completed Phase 1 testing in 2013, but for which we have not seen any data.

**Other Upcoming Catalysts:** The second product in Oramed's pipeline is an oral GLP-1 analog, also for controlling diabetes. The pre-IND paperwork has already been submitted to the FDA, and we expect Oramed will initiate a Phase 2b trial by 3Q15.

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**VALUATION**

Our PT is based on a DCF of ORMD-0801 and ORMD-0901 taken out to 2028, using a 25% discount rate and a 0% terminal growth rate.

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**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.

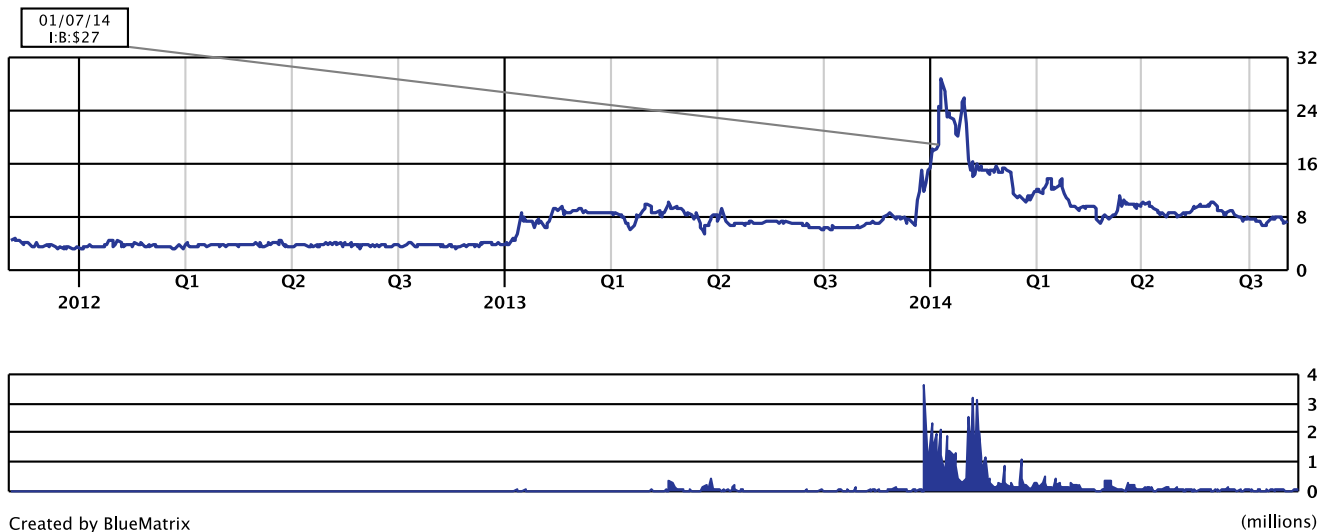
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All required current disclosures on subject companies covered in this report may be obtained by contacting Randy Billhardt at MLV at 212-542-5882 or [rbillhardt@mlvco.com](mailto:rbillhardt@mlvco.com).

**Oramed Pharmaceuticals, Inc. (ORMP): Share Price (in USD) and Volume History as of 11-03-2014****MLV RATING ALLOCATION (as of November 03, 2014)**

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**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	105	64.81%	48	29.63%
HOLD	57	35.19%	21	12.96%
SELL	0	0.00%	0	0.00%

**Issuer Specific Disclosures**

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