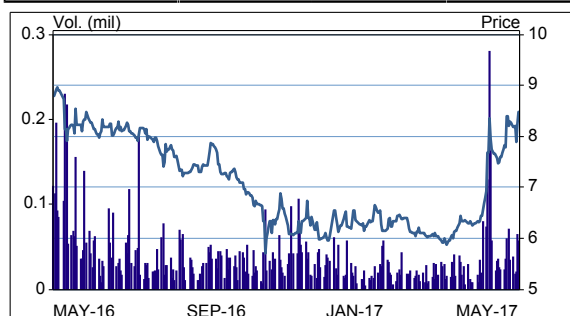


May 22, 2017

ORMD-0801 Phase 3 Initiation Approaching; Reiterate Buy

Stock Data		05/19/2017	
Rating		Buy	
Price		\$8.48	
Exchange		NASDAQ	
Price Target		\$25.00	
52-Week High		\$9.09	
52-Week Low		\$5.70	
Enterprise Value (M)		\$71.3	
Market Cap (M)		\$113	
Public Market Float (M)		8.8	
Shares Outstanding (M)		13.3	
3 Month Avg Volume		34,549	
Short Interest (M)		0.17	
Balance Sheet Metrics			
Cash (M)		\$41.66	
Total Debt (M)		\$0.00	
Total Cash/Share		\$3.13	
Book Value/Share		\$1.60	
EPS Diluted			
Full Year - Aug	2016A	2017E	2018E
1Q	(0.24)	(0.20)A	--
2Q	(0.14)	(0.24)A	--
3Q	(0.15)	(0.27)	--
4Q	(0.38)	(0.28)	--
FY	(0.87)	(0.98)	(1.27)



Finalization of clinical protocol expected in the coming months.

In recent conversations with Oramed management, we have noted the company's progress towards finalizing the design of the pivotal program for ORMD-0801, the company's lead oral insulin drug candidate. Investors may recall that the Phase 2b trial of ORMD-0801 demonstrated favorable impact across a range of different glucose parameters as well as statistically significant impact on HbA1c, which was particularly encouraging given the relative short duration of the trial at only four weeks. In our view, an End-of-Phase 2 meeting with the FDA should result in the formal authorization of a protocol for pivotal testing of this agent. We anticipate that Oramed and its Chinese partner, Hefei Tianhui Incubator of Technologies Co. Ltd. (HTIT), would divide responsibilities for clinical testing of ORMD-0801, with Oramed taking the lead in conducting U.S.-based pivotal testing and HTIT assessing the drug in China. We note that the two entities are slated to share data from one another's trial programs in order to support regulatory filings on ORMD-0801 in both China and the U.S. In anticipation of the potential initiation of the ORMD-0801 pivotal program once the trial protocol has been discussed with regulators, we reiterate our Buy rating and price target of \$25.00 per share.

Solid financial base and low burn rate remain positives. HTIT's non-dilutive capital means that Oramed—which, as of end-February 2017, had \$41.6M in cash, short-term deposits and marketable securities—likely has an operational runway extending for over two years. We believe that the company has sufficient resources to conduct pivotal development of ORMD-0801.

Discounted technology platform. Oramed trades at an enterprise value well under \$100M, while the global diabetes market may exceed \$40B by 2018. In our view, formal initiation of the ORMD-0801 pivotal trial program should constitute a substantial value inflection point in the coming months.

Oral leptin drug candidate entering clinical testing. Oramed recently received authorization from the Israeli Ministry of Health to advance an oral leptin formulation into clinical testing. Leptin, often called "the obesity hormone", is a protein produced in adipose tissue-localized fat cells that sends signals to the hypothalamus region of the brain aimed at regulating long-term food intake and energy expenditure. Resistance to the biological activity of leptin has been shown to occur in obese individuals. While Oramed's oral leptin program is very early-stage, focusing on pharmacokinetics and absorption characteristics of the formulation, we believe it could mature into a future value driver in the coming months if initial clinical data prove promising.

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 \$220M, to derive a total firm value of \$385M. This translates into a price objective of \$25.00 per share, assuming net cash of ~\$15M and ~15M fully-diluted shares outstanding as of mid-F2018. Risks to our target include, but are not limited to: (1) delays in the advancement of ORMD-0801 into pivotal testing; (2) adverse results from future clinical trials; and (3) negative regulatory actions.

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	3QE	4QE		
Revenue											
Product revenue	-	-	-	-	-	-	-	-	-	-	-
Research and other	-	125	163	353	641	610	611	611	611	2,443	2,800
Total revenue	-	125	163	353	641	610	611	611	611	2,443	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	3,300	3,500	12,278	16,500
Selling and marketing	-	-	-	-	-	-	-	-	-	-	-
General and administrative	548	730	555	619	2,452	468	851	900	950	3,169	4,600
Total expenses	2,449	2,037	2,273	3,892	10,651	3,008	3,976	4,200	4,450	15,634	21,100
Gain (loss) from operations	(2,449)	(1,912)	(2,110)	(3,539)	(10,010)	(2,398)	(3,365)	(3,589)	(3,839)	(13,191)	(18,300)
Other income/expense											
Financial income	76	128	137	133	474	186	203	60	55	504	318
Financial expense	(17)	(34)	(23)	(19)	(93)	(24)	(21)	(21)	(21)	(87)	(120)
Impairment of available-for-sale securities	(406)	78	84	(208)	(452)	(63)	168	-	-	105	-
Total investment income and other	(347)	172	198	(94)	(71)	99	350	39	34	522	198
Loss before provision for income taxes	(2,796)	(1,740)	(1,912)	(3,633)	(10,081)	(2,299)	(3,015)	(3,550)	(3,805)	(12,669)	(18,102)
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)	(3,550)	(3,805)	(13,069)	(18,102)
Net loss per share (basic)	(0.24)	(0.14)	(0.15)	(0.38)	(0.87)	(0.20)	(0.24)	(0.27)	(0.28)	(0.98)	(1.27)
Net loss per share (diluted)	(0.24)	(0.14)	(0.15)	(0.38)	(0.87)	(0.20)	(0.24)	(0.27)	(0.28)	(0.98)	(1.27)
Weighted average number of shares outstanding (basic)	11,573	12,653	13,119	13,157	12,624	13,206	13,280	13,317	13,367	13,292	14,242
Weighted average number of shares outstanding (diluted)	11,573	12,653	13,119	13,157	12,624	13,206	13,280	13,317	13,367	13,292	14,242

Source: Company reports and Rodman & Renshaw estimates.

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RETURN ASSESSMENT

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.

Market Perform (Neutral): The common stock of the company is expected to mimic the performance of a passive index comprised of all the common stock of companies within the same sector.

Market Underperform (Sell): The common stock of the company is expected to underperform 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 May 19, 2017

Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	221	94.04%	78	35.29%
Neutral	13	5.53%	0	0.00%
Sell	0	0.00%	0	0.00%
Under Review	1	0.43%	1	100.00%
Total	235	100%	79	33.62%

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