

**Oramed Pharmaceuticals, Inc. (ORMP)**  
**Rating: Buy**

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**Oral Protein Administration Patent Allowed; Clinical Trial Underway; Reiterate Buy**

Stock Data		06/05/2018	
Price			\$7.78
Exchange		NASDAQ	
Price Target			\$25.00
52-Week High			\$11.34
52-Week Low			\$6.15
Enterprise Value (M)			\$91.1
Market Cap (M)			\$112
Public Market Float (M)			10.9
Shares Outstanding (M)			14.4
3 Month Avg Volume			20,987
Short Interest (M)			0.13
Balance Sheet Metrics			
Cash (M)			\$20.9
Total Debt (M)			\$0.0
Total Cash/Share			\$1.45
Book Value/Share			\$1.59
EPS Diluted			
Full Year - Aug	2017A	2018E	2019E
1Q	(0.20)	(0.18)A	(0.34)
2Q	(0.24)	(0.20)A	(0.36)
3Q	(0.15)	(0.27)	(0.35)
4Q	(0.21)	(0.32)	(0.34)
FY	(0.79)	(0.95)	(1.39)

**Additional patent covering oral protein administration allowed.** In a press release at the end of last month, Oramed announced that its patent for the invention entitled "Methods and Compositions for Oral Administrations of Proteins" has been allowed by the United States Patent and Trademark Office (USPTO). We note that this constitutes additional protection of the proprietary POD™ technology platform that Oramed is deploying in its lead clinical-stage assets so as to facilitate the oral delivery of protein-based therapeutics. We reiterate our Buy rating and price target of \$25.00 per share on ORMP.

**Largest trial yet with ORMD-0801 now in progress.** Earlier in May 2018, Oramed launched its largest and most advanced clinical trial to date, involving 240 patients with type 2 diabetes in multiple centers throughout the U.S., including the CHEAR Center in the Bronx. This study was designed with input from the FDA and is aimed at providing a robust indication of the oral insulin candidate's therapeutic impact on a longer-term basis. Trial participants are to take the oral pill for 90 days, with different groups following different dosing regimens at varying times throughout the day. The study is designed to show ORMD-0801's effectiveness at lowering glycated hemoglobin, a determinant of average blood sugar levels over three months and is considered the fundamental standard endpoint by the FDA in evaluating the drug's efficacy.

**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 ~\$37M and ~16M fully-diluted shares outstanding as of mid-F2019. 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

	2017A				2017A	2018E				2018E	2019E	2020E
	1QA	2QA	3QA	4QA		1QA	2QA	3QE	4QE			
<b>Revenue</b>												
Product revenue	-	-	-	-	-	-	-	-	-	-	-	-
Research and other	610	611	617	618	2,456	611	604	604	604	2,423	2,800	2,800
<b>Total revenue</b>	610	611	617	618	2,456	611	604	604	604	2,423	2,800	2,800
<b>Expenses</b>												
Cost of product and service revenue	187	-	-	-	187	-	-	-	-	-	-	-
Research & development	2,353	3,125	2,267	2,536	10,281	2,327	2,724	3,500	4,000	12,551	18,500	20,000
Selling and marketing	-	-	-	-	-	-	-	-	-	-	-	-
General and administrative	468	851	505	935	2,759	1,016	991	1,100	1,300	4,407	6,000	7,500
<b>Total expenses</b>	3,008	3,976	2,772	3,471	13,227	3,343	3,715	4,600	5,300	16,958	24,500	27,500
<b>Gain (loss) from operations</b>	(2,398)	(3,365)	(2,155)	(2,853)	(10,771)	(2,732)	(3,111)	(3,996)	(4,696)	(14,535)	(21,700)	(24,700)
Other income/expense												
Financial income	186	203	210	193	792	222	217	110	105	654	465	465
Financial expense	(24)	(21)	(20)	(36)	(101)	(21)	(22)	(22)	(22)	(87)	(120)	(120)
Impairment of available-for-sale securities	(63)	168	286	(96)	295	326	-	-	-	326	-	-
<b>Total investment income and other</b>	99	350	476	61	986	527	195	88	83	893	345	345
<b>Loss before provision for income taxes</b>	(2,299)	(3,015)	(1,679)	(2,792)	(9,785)	(2,205)	(2,916)	(3,908)	(4,613)	(13,642)	(21,355)	(24,355)
Deferred income tax benefit	(400)	-	-	-	(400)	-	-	-	-	-	-	-
<b>Net loss/income</b>	(2,699)	(3,015)	(1,679)	(2,792)	(10,185)	(2,205)	(2,916)	(3,908)	(4,613)	(13,642)	(21,355)	(24,355)
<b>Net loss per share (basic)</b>	(0.20)	(0.24)	(0.15)	(0.21)	(0.79)	(0.18)	(0.20)	(0.27)	(0.32)	(0.95)	(1.39)	(1.39)
Net loss per share (diluted)	(0.20)	(0.24)	(0.15)	(0.21)	(0.79)	(0.18)	(0.20)	(0.27)	(0.32)	(0.95)	(1.39)	(1.39)
Weighted average number of shares outstanding (basic)	13,206	13,280	13,301	13,505	13,309	14,239	14,357	14,431	14,481	14,377	15,356	17,556
Weighted average number of shares outstanding (diluted)	13,206	13,280	13,301	13,505	13,309	14,239	14,357	14,431	14,481	14,377	15,356	17,556

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

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Ratings	Count	Percent	IB Service/Past 12 Months		
			Count	Percent	
Buy	271	92.81%	100	36.90%	
Neutral	14	4.79%	3	21.43%	
Sell	0	0.00%	0	0.00%	
Under Review	7	2.40%	1	14.29%	
<b>Total</b>	<b>292</b>	<b>100%</b>	<b>104</b>	<b>35.62%</b>	

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