Important disclosures can be found on pages 9 - 13 of this report.

Oramed Pharmaceuticals Inc. (ORMP – $8.92*)

Raise Price Target

Jerusalem, Israel
May 26, 2016

Outperform
Price Target: $20.00

STOCK DATA	
52-Week Range	$10.74 – $4.15
3-Month ADTV	144,473
Market Cap (mil)	$116.9
Shares Outstanding (mil)	13.1
Beta	(0.02)
Float (%)	78.7
Fiscal Year-End	August

EARNINGS DATA			
EPS	2015A	2016E	2017E
1Q	($0.19)	($0.21)A	—
2Q	($0.15)	($0.15)A	—
3Q	($0.15)	($0.20)	—
4Q	($0.18)	($0.22)	—
FY	($0.67)	($0.78)	($0.81)

BALANCE SHEET DATA	
	2Q16
Cash & Equivalents	$35.9
Current Assets	$26.0
Total Assets	$38.4
Total Liabilities	$5.7
Total Stockholder Equity	$32.7
Total Debt	$0.0

$ in millions.

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Positive Phase IIb Results with ORMD-0801 Validate Oral Delivery of Insulin Analog; Raising PT to $20

Summary and Recommendation

On May 18, Oramed Pharmaceuticals announced positive data from its Phase IIb study with ORMD-0801 for the treatment of type 2 diabetes (T2D). ORMD-0801 is an oral insulin analog for the treatment of type 1 and type 2 diabetes (T1D and T2D). Oramed hosted a call to discuss the positive results and provide an update on the future development path for ORMD-0801. We provide three key takeaways from the call: (1) ORMD-0801 achieved its primary endpoint of pooled change in mean nighttime glucose at four weeks from baseline as compared to placebo; (2) following the success of the 180-patient Phase II study, we expect several milestone payments from Oramed's Chinese partner, Hefei Tianhui Incubator of Technologies Co. (HTIT); (3) additional data are expected soon, including results by treatment dose; and (4) we see a potential partnership on the horizon following the full data set. Overall, we believe the results further support the rationale for ORMD-0801's use for the treatment of T1D and T2D.

Key Points

- **Oral delivery of insulin analog validated.** Top-line data from the Phase IIb study demonstrated that, when compared to placebo, the pooled cohort of ORMD-0801 versus placebo achieved a weighted mean decrease of 6.47% (p = 0.0268) in nighttime glucose at four weeks from baseline. These data also confirmed a strong safety profile with ORMD-0801 with no drug related SAEs. On the call, we learned that there was no imbalance of hypoglycemia events, with one event in the pooled dose group of ORMD-0801 and one event in the placebo group. Additional data from the study remain unlocked and are still being analyzed. We believe the data released so far serve to support our positive view of the drug's potential to treat T1D and T2D and expect to see additional data from the study in the near future.
- **Potential partnership on the horizon.** Oramed highlighted ongoing discussions with potential partners for ORMD-0801. We believe a deal will follow the full data with ORMD-0801 and be structured as a potential ex-China territory deal. Oramed closed a Chinese out-licensing deal with HTIT in late December 2015. Following these positive data, Oramed is eligible to receive approximately $10 million to $15 million in non-dilutive milestone payments. These include a $6.5 million payment expected within 30 days of the announcement. The State Intellectual Property Office of the People's Republic of China recently granted Oramed a Chinese patent for the oral administration of proteins.
- **Looking for a clear dose response with the full data set.** The two experimental dose groups of ORMD-0801 were pooled as per the study's protocol. We remain interested in getting visibility into the potential a dose-effect for ORMD-0801 in this Phase IIb study. We also remind investors that patients in the Phase IIb study were dosed with 2 x 8 mg capsules and 3 x 8 mg capsules to avoid the confounding effects of the Phase IIa study's 16 mg capsule. We believe the full data will help clarify a dose-related response with ORMD-0801, which could represent another important catalyst.
- **Raising our price target to $20 from $15.** Following the positive top-line data, we have increased our probability of success for ORMD-0801 by 10%.

The Debate™

Debatable Point	Our Thoughts	Time Frame	Impact
Will ORMD-0801 show positive safety and efficacy in the current Phase IIb study?	Oramed announced positive top-line results in May from its Phase IIb study. We believe the data highlight activity of oral insulin analog ORMD-0801. Pooled data from the Phase IIb study demonstrated a statistically significant decrease of 6.47% (p = 0.0268) in the primary endpoint of mean nighttime fasting glucose at four weeks from baseline as compared to placebo. We are interested to see additional data, including dose-related efficacy at 16 mg and 24 mg dose levels. The Phase IIa study showed evidence of a manufacturing fault associated with the 16 mg capsule (24 mg dose), which makes the existence of a dose-related effect less clear. That being said, we think there is a significant market opportunity for oral insulin if the full Phase IIb outcome is positive, and we view the risk/reward profile as favorable.	3 Months	↑
Will Oramed successfully partner ORMD-0801 to support late-stage clinical trials, approval, and commercialization?	If ORMD-0801 is shown to be both safe and effective, Oramed plans to ultimately seek a strategic partner or partners with extensive drug development experience and marketing capabilities. Given the size and scope (approximately 3,000 patients over 24 weeks) of a Phase III program in T1D and T2D, we would expect Oramed to attempt to partner ORMD-0801 after the Phase II studies are complete. The strategic partner(s) would be responsible for global clinical trials, post-marketing studies, and label expansion, which are outside of Oramed's core developmental capabilities. We expect to see a partnership or partnerships following Phase IIb data, which should read out in the 2Q16.	6 to 18 Months	↑
Will Oramed's oral GLP-1 candidate (ORMD-0901) prove to be safe and effective in T2D patients?	ORMD-0901 is an oral exenatide GLP-1 analog-based preparation designed with Oramed's oral formulation technology. Oramed completed non-FDA approved clinical trials of ORMD-0901 in healthy volunteers at a medical center in Jerusalem. The first-in-human study demonstrated retained biological activity on insulin excursions after oral administration of ORMD-0901 followed by an oral glucose load. While these data are encouraging and provide a rationale for advanced development, only six subjects were analyzed for safety, and only four subjects were considered for the efficacy evaluations due to adverse events reported upon glucose load.	2 Years+	↔

Investment Thesis

Given its focus on developing orally administered peptides that are currently available only as injectables, we view Oramed as owning platform technology with a strong patent estate. We believe the data for both ORMD-0801 and ORMD-0901 are compelling and remain buyers of the stock, especially at current levels.

Valuation

We are raising our price target to $20, from $15, following the positive Phase IIb top-line results. Our price target is based on probability-weighted DCF and sum-of-the-parts (SOTP) analyses of the commercial opportunities available to the company.

Catalysts/Milestones

- 2Q16: complete Phase Ib ex-U.S. study with ORMD-0901 in T2D.
- 1Q17: initiate Phase II multi-center study with ORMD-0901 oral GLP-1 analog.

Raising Price Target to $20 from $15

We are raising our price target to $20, from $15, based on a 10% increase to our probability of success for ORMD-0801 in T1D and T2D. Our $20 price target is based on probability-weighted DCF and sum-of-the-parts (SOTP) analyses of the commercial opportunities available to the company. Our model incorporates a 13.5% discount rate, which is in line with development-stage companies. We ascribe a 30% probability of success (PoS) to ORMD-0801 in T1D and T2D. Our SOTP analysis shows that 76% of the total value of ORMP can be ascribed to ORMD-0801 T2D, given its large market size relative to T1D, and ORMD-0901 GLP-1 for T2D patients. We ascribe a 10% PoS to ORMD-0901, which completed a Phase I study in healthy volunteers.

ORMP Sum-of-the-Parts Analysis ($ in Millions)

	EV		PoS		EV		Per Diluted Share	
ORMD-0801 - T2D	641.0	*	30.0%	=	192.3	76%	15.20	76%
ORMD-0801 - T1D	114.4	*	30.0%	=	34.3	14%	2.71	14%
ORMD-0901 GLP-1 - T2D	260.1	*	10.0%	=	26.0	10%	2.06	10%
Total Firm Value	1,015.4	*	24.9%	=	252.6	100%	19.97	100%
Total Equity Value					**252.6**	100%	**19.97**	100%
Fully Diluted Shares							12.7	

Source: FBR Research

ORMP DCF Analysis ($ in Millions)

Present Value of FCF	1,015.4
Blended PoS	0.25
Present Value of Equity	252.6
Diluted Shares Outstanding	12.7
Equity Value per Share	**$ 19.97**
Upside/(Downside) Potential	**128.2%**
Terminal Value Summary	
Perpetual Growth Rate	2.0%
Terminal Free Cash Flow	396.7
Terminal Value	3,456.6
Present Value of FCF	1,015.4
Present Value of TV	569.4
Terminal Value % of EV	**56.1%**

Source: FBR Research

Risks

Clinical risks. The development of clinical drug candidates is inherently risky and may never lead to marketable products. Oramed's lead drug candidate, ORMD-0801, is at an early stage of clinical development and depends on third-party suppliers for raw materials. As the company does not control these parties, it is not able to guarantee that the clinical operations will be performed in a timely and adequate manner.

Competitive risks. Several companies are developing candidates or marketing products for the same treatment indications for which Oramed is developing product candidates. These candidates or products may negatively affect future pricing power or market opportunities for Oramed's developmental candidates.

Financial risks. Oramed is currently developing several clinical candidates and may need additional funds in the future to continue research and development programs and for the commercialization of its products.

Liquidity risk. The company has a relatively small float with a market capitalization of approximately $100 million on common shares outstanding. Investors could potentially be at risk of finding a liquid market to buy or sell shares.

Regulatory risks. There is a risk that the company will be unable to receive regulatory approvals or experience delays in receiving approval. Additionally, the company must obtain several foreign regulatory approvals to be able to sell products internationally.

Manufacturing risks. Oramed may be unable to manufacture or contract with third parties for the manufacture of insulin-based applications and/or other orally digestible drugs.

Company Profile

Oramed Pharmaceuticals Inc. develops a proprietary platform technology focused on creating orally administered oral polypeptides. The company has two oral candidates in development in the diabetes space: ORMD-0801, an insulin analog for type 1 diabetes (T1D) and type 2 diabetes (T2D); and ORMD-0901, an oral GLP-1 analog for type 2 diabetes (T2D). ORMD-0801 recently completed a Phase IIb study in T2D patients, which read out top-line data in May 2016. In 1Q17, Oramed plans to initiate a Phase II multi-site study with ORMD-0901 under a U.S. IND.

Income Statement–Oramed Pharmaceuticals Inc. (ORMP)

$ in Millions

	2012A	2013A	2014A	2015A	1Q16A	2Q16A	3Q16E	4Q16E	2016E	2017E	2018E	2019E	2020E
Royalties													
ORMD 0801- T2D	-	-	-	-	-	-	-	-	-	-	-	-	5.3
ORMD 0801- T1D	-	-	-	-	-	-	-	-	-	-	-	-	-
ORMD-0901 -T2D	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Product Royalties	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5.3**
Gross Profit	**-**	**-**	**-**	**-**	**-**	**0.1**	**-**	**-**	**0.1**	**-**	**-**	**-**	**5.3**
Operating Expenses:													
Research and Development	(1.7)	(2.3)	(3.3)	(4.8)	(1.9)	(1.3)	(1.7)	(2.0)	(6.9)	(8.1)	(9.4)	(10.5)	(11.2)
Selling, General and Administrative	(1.2)	(2.0)	(2.6)	(2.6)	(0.5)	(0.7)	(0.8)	(0.8)	(2.9)	(3.4)	(3.9)	(4.5)	(4.9)
Total Operating Expenses	(2.9)	(4.3)	(5.9)	(7.4)	(2.4)	(2.0)	(2.5)	(2.9)	(9.8)	(11.4)	(13.3)	(15.0)	(16.1)
Growth	18%	49%	37%	25%	13%	-17%	23%	14%	33%	16%	16%	13%	7%
% of Revenue	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	304%
Operating Profit/(Loss) (EBIT)	(2.9)	(4.3)	(5.9)	(7.4)	(2.4)	(2.0)	(2.5)	(2.9)	(9.8)	(11.4)	(13.3)	(15.0)	(10.8)
Growth	18%	49%	37%	25%	13%	-17%	23%	14%	33%	16%	16%	13%	-28%
Financial income	0.0	0.2	0.2	0.2	0.1	0.1	0.0	0.0	0.2	0.1	0.6	0.4	0.4
Financial expenses	(0.2)	(0.3)	(0.0)	(0.0)	(0.0)	(0.0)	-	-	(0.0)	(0.3)	(0.9)	(1.6)	(2.2)
Other Income (Expense), Net	(0.2)	-	-	-	-	-	-	-	-	-	-	-	-
Net Profit/(Loss) - Pretax	(3.3)	(4.4)	(5.7)	(7.2)	(2.4)	(1.9)	(2.5)	(2.8)	(9.7)	(11.6)	(13.6)	(16.2)	(12.5)
Tax Rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
(Taxes)/Tax Benefits	(0.1)	0.2	(0.0)	0.0	-	-	-	-	-	-	-	-	-
Net Income (After Taxes)	(3.3)	(4.2)	(5.7)	(7.2)	(2.4)	(1.9)	(2.5)	(2.8)	(9.7)	(11.6)	(13.6)	(16.2)	(12.5)
Growth	114%	27%	35%	27%	13%	-19%	28%	14%	34%	20%	17%	19%	-22%
Basic Net Profit/ (Loss) per Common Share	**(0.57)**	**(0.59)**	**(0.62)**	**(0.67)**	**(0.21)**	**(0.15)**	**(0.20)**	**(0.22)**	**(0.78)**	**(0.81)**	**(0.74)**	**(0.88)**	**(0.68)**
Weighted Average Shares Outstanding	5.9	7.2	9.2	10.8	11.6	12.7	12.7	12.7	12.4	14.4	18.4	18.4	18.4
Growth	-91%	23%	28%	17%	1%	9%	0%	0.0%	14%	16%	28%	0%	0%
Diluted Net Profit/ (Loss) per Common Share	**(0.57)**	**(0.59)**	**(0.62)**	**(0.67)**	**(0.21)**	**(0.15)**	**(0.20)**	**(0.22)**	**(0.78)**	**(0.81)**	**(0.74)**	**(0.88)**	**(0.68)**
Fully Diluted Average Shares	5.9	7.2	9.2	10.8	11.6	12.7	12.7	12.7	12.4	14.4	18.4	18.4	18.4
Growth	-91%	23%	28%	17%	1%	9%	0%	0.0%	14%	16%	28%	0%	0%

Proprietary to FBR Capital Markets & Co. May 26, 2016

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Source: Company reports and FBR Research

Balance Sheet—Oramed Pharmaceuticals Inc. (ORMP)

$ in Millions

	2012A	2013A	2014A	2015A	1Q16A	2Q16A	3Q16E	4Q16E	2016E	2017E	2018E	2019E	2020E
Current assets:													
Cash and cash equivalents	4.4	2.3	1.8	3.2	1.9	3.2	2.4	9.9	9.9	39.7	80.7	89.2	99.1
Short-term deposits	0.5	5.2	18.5	11.9	11.1	20.3	18.7	8.9	8.9	6.7	5.0	5.2	5.4
Marketable securities	0.2	1.0	1.0	2.1	2.0	2.1	2.0	1.7	1.7	1.3	1.1	1.1	1.2
Restricted cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable - other	0.1	-	-	-	-	-	-	-	-	-	-	-	0.4
Prepaid expenses and other current assets	0.0	0.1	0.1	0.1	0.1	0.4	0.4	0.1	0.1	0.1	0.1	0.1	0.1
Related parties	0.0	0.0	0.3	-	-	-	-	-	-	-	-	-	-
Grants receivable from the Office of the Chief Scientist	0.1	0.1	0.1	-	-	-	-	-	-	-	-	-	-
Total current assets	**5.3**	**8.6**	**21.8**	**17.4**	**15.2**	**26.0**	**23.5**	**20.7**	**20.7**	**47.9**	**87.0**	**95.6**	**106.3**
Investment in a joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-
Long-term deposits and investment	0.0	0.0	0.0	8.0	8.1	10.6	10.6	10.6	10.6	10.6	10.6	10.6	10.6
Marketable securities	-	-	-	0.9	0.6	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Amounts funded for employee rights upon retirement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property and equipment, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.3	0.5	1.0	3.0
Total assets	**5.3**	**8.7**	**21.8**	**26.4**	**23.9**	**38.4**	**35.9**	**33.0**	**33.0**	**60.5**	**99.9**	**109.0**	**121.6**
Liabilities and stockholders' equity													
Current liabilities:													
Accounts payable and accrued expenses	0.6	0.5	0.9	1.0	0.8	0.8	0.8	0.8	0.8	0.8	0.8	1.1	1.3
Advance on account of license agreement	-	-	-	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Related parties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Account payable with former shareholder	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	**0.6**	**0.5**	**1.0**	**1.5**	**1.3**	**1.5**	**1.5**	**1.5**	**1.5**	**1.5**	**1.5**	**1.8**	**2.0**
Warrants	0.6	-	-	-	-	-	-	-	-	-	-	-	-
Long-term debt	-	-	-	-	-	-	-	-	-	25.0	50.0	75.0	100.0
Employee rights upon retirement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provision for uncertain tax position	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred Revenue	-	-	-	-	-	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Total liabilities	**1.5**	**0.5**	**1.0**	**1.5**	**1.3**	**5.7**	**5.7**	**5.7**	**5.7**	**30.7**	**55.7**	**80.9**	**106.1**
Common stock	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Additional paid-in capital	21.6	29.9	48.0	59.2	59.7	71.6	71.6	71.6	71.6	85.6	113.6	113.6	113.6
Accumulated other comprehensive income	-	0.3	0.5	0.6	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Accumulated Loss	(17.9)	(22.1)	(27.8)	(35.1)	(37.4)	(39.3)	(41.7)	(44.6)	(44.6)	(56.2)	(69.8)	(85.9)	(98.5)
Total stockholders' (deficit) equity	**3.8**	**8.1**	**20.8**	**24.8**	**22.5**	**32.7**	**30.2**	**27.4**	**27.4**	**29.8**	**44.2**	**28.0**	**15.5**
Total liabilities and stockholders' equity	**5.3**	**8.7**	**21.8**	**26.4**	**23.9**	**38.4**	**35.9**	**33.0**	**33.0**	**60.5**	**99.9**	**109.0**	**121.6**

Proprietary to FBR Capital Markets & Co. May 26, 2016

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Source: Company reports and FBR Research

Discounted Cash Flow (DCF) Analysis–Oramed Pharmaceuticals Inc. (ORMP)

$ in Millions

	2015A	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	TVE
EBIT	**(7.4)**	**(9.7)**	**(11.4)**	**(13.3)**	**(15.0)**	**(10.8)**	**2.2**	**53.4**	**117.7**	**209.6**	**316.5**	**369.9**	**413.2**	**462.4**	**518.5**	**582.6**	
Effective Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	
Tax Expense	-	-	-	-	-	-	-	-	(35.3)	(62.9)	(94.9)	(111.0)	(123.9)	(138.7)	(155.6)	(174.8)	
NOPAT	**(7.4)**	**(9.7)**	**(11.4)**	**(13.3)**	**(15.0)**	**(10.8)**	**2.2**	**53.4**	**82.4**	**146.7**	**221.5**	**258.9**	**289.2**	**323.7**	**363.0**	**407.8**	
Add: Depreciation & Amortization	0.0	0.0	0.0	0.0	0.1	0.1	0.4	1.5	1.9	2.7	4.2	6.5	8.8	11.3	13.8	16.4	
Less: Change in Working Capital	0.9	4.1	(0.0)	(0.0)	0.3	(0.2)	(0.9)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	
Less: Capital Expenditures	(0.0)	(0.1)	(0.2)	(0.3)	(0.5)	(2.1)	(7.8)	(3.6)	(7.3)	(12.9)	(19.2)	(22.4)	(25.0)	(28.0)	(31.4)	(35.3)	
Unlevered Free Cash Flow	(6.5)	(5.6)	(11.6)	(13.6)	(15.2)	(13.0)	(6.0)	51.3	76.9	136.5	206.5	243.0	273.0	306.9	345.3	388.9	
Terminal Value																	396.7
Total Free Cash Flows	(6.5)	(5.6)	(11.6)	(13.6)	(15.2)	(13.0)	(6.0)	51.3	76.9	136.5	206.5	243.0	273.0	306.9	345.3	388.9	396.7
Discount Period	0.7	0.3	1.3	2.3	3.3	4.3	5.3	6.3	7.3	8.3	9.3	10.3	11.3	12.3	13.3	14.3	14.3
Discount Factor	-	1.0	0.9	0.8	0.7	0.6	0.5	0.5	0.4	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Discounted Free Cash Flows	**-**	**(5.5)**	**(9.9)**	**(10.2)**	**(10.0)**	**(7.6)**	**(3.1)**	**23.2**	**30.7**	**48.0**	**64.0**	**66.4**	**65.7**	**65.1**	**64.6**	**64.1**	**65.4**

Proprietary to FBR Capital Markets & Co. May 26, 2016

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Source: Company reports and FBR Research

Sum-of-the-Parts (SOTP) Analysis—Oramed Pharmaceuticals Inc. (ORMP)

$ in Millions

	2015A	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	TVE
ORMD-0801 - T2D																	
Royalty Revenue					-	5	12	57	83	174	225	261	303	352	409	475	
Gross Income	-	-	-	-	-	5	12	57	83	174	225	261	303	352	409	475	
R&D Share	(4)	(6)	(7)	(8)	(9)	(9)	(10)	(10)	(15)	(31)	(40)	(47)	(55)	(63)	(74)	(86)	
G&A Share	(2)	(3)	(3)	(3)	(4)	(4)	(5)	(5)	(5)	(5)	(5)	(6)	(6)	(6)	(7)	(7)	
Operating Income	(6.6)	(8.9)	(10.2)	(11.7)	(13.1)	(8.4)	(1.8)	42.2	63.3	137.6	178.9	208.4	242.8	282.6	328.9	382.7	
Less: Tax	-	-	-	-	-	-	-	-	(19)	(41)	(54)	(63)	(73)	(85)	(99)	(115)	
NOPAT	(7)	(9)	(10)	(12)	(13)	(8)	(2)	42	44	96	125	146	170	198	230	268	
Plus: Share of Noncash	1	4	(0)	(0)	(0)	(2)	7	(2)	(3)	(7)	(8)	(9)	(10)	(10)	(11)	(12)	
Unlevered FCF	(6)	(5)	(10)	(12)	(13)	(10)	5	41	41	90	117	137	160	188	219	255	2,270
Discount Factor	-	1.0	0.9	0.8	0.7	0.6	0.5	0.5	0.4	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Discounted FCF	-	(5)	(9)	(9)	(9)	(6)	3	18	17	32	36	37	39	40	41	42	374

ORMD-0801 - T2D	641

ORMD-0801 - T1D																	
Royalty Revenue	-	-	-	-	-	-	3	5	22	29	54	63	65	68	71	74	
Gross Income	-	-	-	-	-	-	3	5	22	29	54	63	65	68	71	74	
R&D Share	(0)	(0)	(0)	(0)	(1)	(1)	(1)	(1)	(4)	(5)	(10)	(11)	(12)	(12)	(13)	(13)	
G&A Share	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	
Operating Income	(0.4)	(0.5)	(0.6)	(0.7)	(0.8)	(1.0)	1.4	4.0	17.9	23.4	44.1	51.1	53.3	55.5	57.8	60.2	
Less: Tax	-	-	-	-	-	-	-	-	(5)	(7)	(13)	(15)	(16)	(17)	(17)	(18)	
NOPAT	(0)	(0)	(1)	(1)	(1)	(1)	1	4	13	16	31	36	37	39	40	42	
Plus: Share of Noncash	0	0	(0)	(0)	(0)	(0)	(5)	(0)	(1)	(1)	(2)	(2)	(2)	(2)	(2)	(2)	
Unlevered FCF	(0)	(0)	(1)	(1)	(1)	(1)	(4)	4	12	15	29	34	35	37	39	40	357
Discount Period	0.7	0.3	1.3	2.3	3.3	4.3	5.3	6.3	7.3	8.3	9.3	10.3	11.3	12.3	13.3	14.3	
Discount Factor	-	1.0	0.9	0.8	0.7	0.6	0.5	0.5	0.4	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Discounted FCF	-	(0)	(1)	(1)	(1)	(1)	(2)	2	5	5	9	9	8	8	7	7	59

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ORMD-0901 GLP-1 - T2D																	
Royalty Revenue						-	5	10	41	55	105	124	131	139	148	157	
Gross Income	-	-	-	-	-	-	5	10	41	55	105	124	131	139	148	157	
R&D Share	(0)	(0)	(0)	(1)	(1)	(1)	(2)	(2)	(4)	(5)	(10)	(12)	(13)	(14)	(15)	(16)	
G&A Share	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(1)	(1)	(1)	(1)	(1)	(1)	(2)	(2)	
Operating Income	(0.4)	(0.5)	(0.6)	(0.8)	(1.1)	(1.5)	2.6	7.2	36.6	48.6	93.5	110.3	117.1	124.2	131.8	139.7	
Less: Tax	-	-	-	-	-	-	-	-	(11)	(15)	(28)	(33)	(35)	(37)	(40)	(42)	
NOPAT	(0)	(0)	(1)	(1)	(1)	(1)	3	7	26	34	65	77	82	87	92	98	
Plus: Share of Noncash	0.0	0.2	(0.0)	(0.0)	(0.0)	(0.3)	(9.8)	(0.3)	(1.7)	(2.4)	(4.4)	(4.8)	(4.6)	(4.5)	(4.5)	(4.5)	
Unlevered FCF	(0)	(0)	(1)	(1)	(1)	(2)	(7)	7	24	32	61	72	77	82	88	93	829
Discount Factor	-	1.0	0.9	0.8	0.7	0.6	0.5	0.5	0.4	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Discounted FCF	-	(0)	(1)	(1)	(1)	(1)	(4)	3	10	11	19	20	19	17	16	15	137

ORMD-0901 GLP-1 - T2D	260

Proprietary to FBR Capital Markets & Co. May 26, 2016

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Source: Company reports and FBR Research

*Closing price of last trading day immediately prior to the date of this publication unless otherwise indicated.

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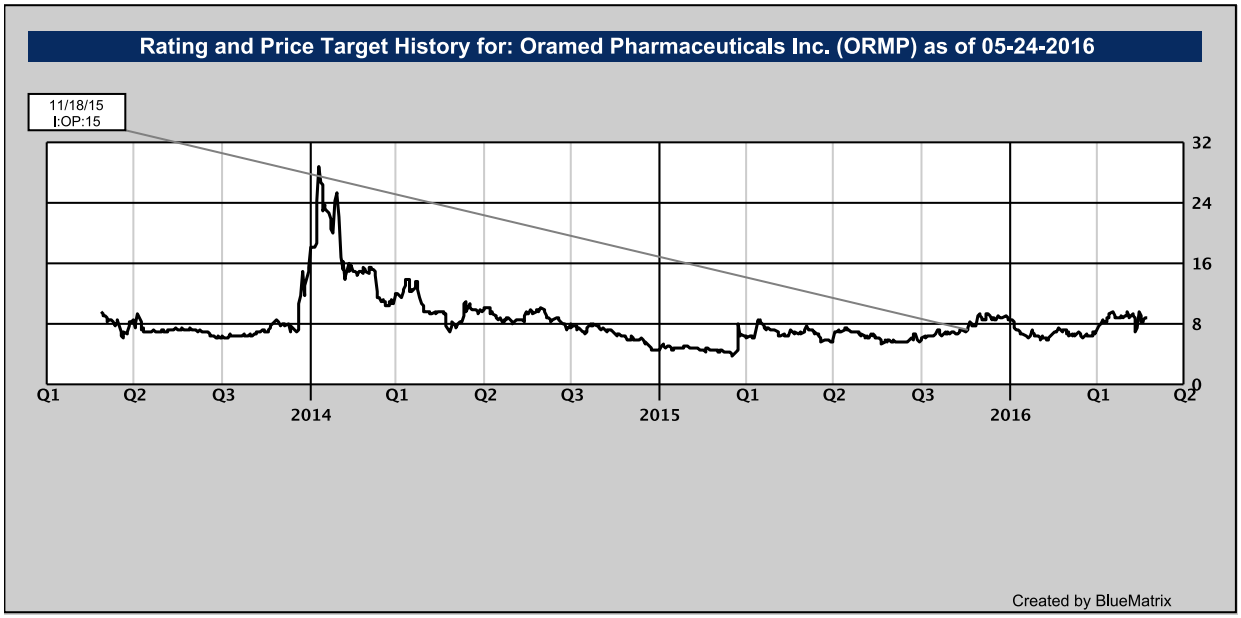
Rating and Price Target History for: Oramed Pharmaceuticals Inc. (ORMP) as of 05-24-2016
11/18/15
I:OP:15
32
24
16
8
0
Q1
Q2
Q3
2014
Q1
Q2
Q3
2015
Q1
Q2
Q3
2016
Q1
Q2
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