

# Update

## Equities - Israel

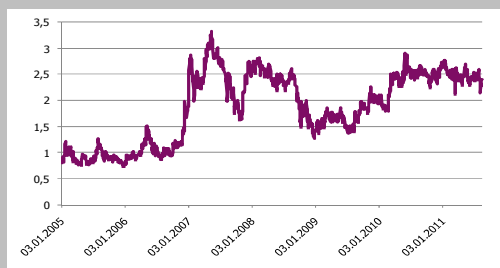
August 17, 2011

Rating:	<b>Buy</b>
Risk:	Medium
Current Price:	EUR 2.34
Price Target:	EUR 3.80
Potential:	61%
Sector:	Technology
Reuters Code:	OHTG.F
Bloomberg Code:	OHT GR
Internet Page:	www.orad.tv
Fiscal Year Ending:	December

### Trading Data

Price High/Low 52w:	EUR 2.78-2.10
Market Capitalisation:	EUR 26.13 mil.
Shares Outstanding:	11.17 mil.
Free Float:	37%

### Price Graph



### Financial Calendar

November 2011      Q3 2011 results

**Date and Time of Prices**  
**Aug 17th, 2011 10:00 (CET)**

**Dipl. Volkswirt Raimund Saier, CEFA, Analyst**  
**VEM Aktienbank AG**  
**089 30903 4881**  
r.saier@vem-aktienbank.de

Please take a note of the Disclaimer and other Information on Page 3



## Orad Hi-Tec Systems

### Orad reports Q2 2011 figures - Our comment: Great Numbers

Today, Orad Hi-Tec Systems reported its second quarter 2011 results. Figures came in very good. After, in our view, somehow disappointing Q1 2011 results, we are very relieved that Orad still got what it takes.

Q2 2011 sales increased by 37% to USD 8.7 mil. compared to USD 6.3 mil. in Q2 2010. Gross profit margins came in at a very strong 70%. Q2 2011 net profits were USD 0.9 mil. resulting in a net profit margin of 10.3% (Q2 2010: 3.2%). Cash balance with USD 17.8 mil. was again very good. Success was achieved over all product segments and over all regions around the globe.

### We are confident in the future success of Orad Hi-Tech

Orad Hi-Tec Systems stays one of our favorite companies. The growth story is still intact and the company seems to do the right things in order to gain market share and to grow at above-average rates.

The company still invests heavily in Research & Development and focuses on Sales & Marketing. This should help to develop exciting new products on the one hand and to gain new clients on the other hand; the right strategy in our view.

This July and after years of unsuccessful search to find a right acquisition target, the company has purchased 63% of British Integrated Broadcast Information Systems Limited (IBIS) for USD 2.11 mil.. IBIS focuses on the fast growing market of Media Asset Management. We like the deal, as it will improve Orad's market position particularly in the fast growing sports and news market segments.

An additional important news is the prolongation of the virtual advertisement contract with Brazilian TV company TV Globo till 2017. We find this especially positive as Brazil will host two major sports events in the future: the Summer Olympics and the World Soccer Championship. This should guarantee strong Orad sales from Brazil in the coming year.

As already mentioned in our last short-study the CFO Ehud ben-Yair will resign in September 2011. We have recently met his successor Ilan Sidi and are confident that he will be capable of taking over EHUD's position. Ilan has 15 years of experience in the financial sector.

### 2011 should be strong

For the full fiscal year 2011, we stick to our sales growth target of 19% to USD 34.7 mil.. Orders should come from all over the world. We again expect above-average growth coming from Asia.

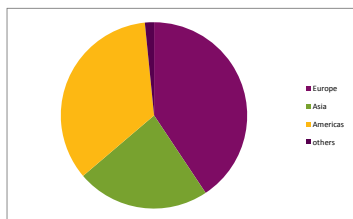
We expect net profits to be USD 3.4 mil. in 2011, resulting in a net profit margin of 9.8%.

In fiscal year 2012, net profit margins could finally reach 11%, as current investments in research and marketing activities should pay off.

### Price target EUR 3.80 - Recommendation BUY

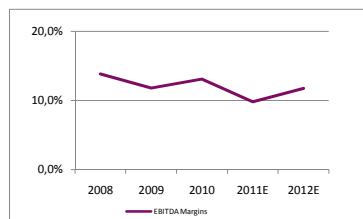
We stick to our BUY rating and leave our fair value of EUR 3.80 unchanged. The stock is still a great bargain. We highly recommend BUYING.

## Sales Distribution in 2010



Source: Orad Hi-Tec, VEM Aktienbank AG

## EBITDA Margins Trends



Source: Orad Hi-Tec, VEM Aktienbank AG

## Company Profile

The company was founded in Israel in 1993 and focuses on the development and the distribution of innovative technologies for TV broadcasting, virtual reality and sports events. Orad focuses on three segments. "Graphics" (graphic software), "Virtual Sets" (virtual studios) and "Sports" (graphic software for sports events). The company is active worldwide. Clients include companies like CCTV, China's biggest TV station, FOX, Turner, CBC, Deutsche Welle, PCCW, TV Globo. Edmond de Rothschild and the Cohanzick Fund hold more than 20% of the company. One of the biggest competitors is VIZRT.

## Financials

Fiscal Year Ending Dezember 31

Profit & Loss		2008	2009	2010	2011E	2012E	Cash Flow Statement		
in mil. USD							2010	2011E	2012E
Sales		31.89	26.87	29.16	34.69	39.75			
Percentage change in %			-16%	9%	19.0%	14.6%			
EBITDA		4.41	3.17	3.81	3.41	4.67			
in % to Sales		13.8%	11.8%	13.1%	9.8%	11.7%			
Net Income									3.40
Amortisation									0.28
Changes in Working Capital									0.63
Cash flow from operative Business							3.70	4.31	5.30
EBIT		3.67	2.39	3.09	3.12	4.37			
in % to Sales		11.5%	8.9%	10.6%	9.0%	11.0%			
Net Profit		3.43	2.16	2.73	3.40	4.37			
in % to Sales		10.8%	8.0%	9.4%	9.8%	11.0%			
Capex							-0.08	-0.34	-0.36
Financial Investments							-1.66	-0.90	-1.10
Free Cash Flow							1.96	3.07	3.84
shares outstanding (in Mio)		11.02	10.82	11.00	11.04	11.04	16.95	18.91	21.99
EPS (reported)		0.31	0.20	0.25	0.31	0.40	18.91	21.99	25.83
Cash beginning of the year									
Cash end of the year									
Balance Sheet		2008	2009	2010	2011E	2012E	Key Figures		
in mil. USD							2011E	2012E	
Assets		3.32	3.28	3.46	3.51	3.57			P/E
Trade Receivables		5.15	4.46	4.88	4.55	5.06			9.9
Inventories		2.65	1.91	3.15	3.47	3.97			EV/Sales
Cash		14.39	16.95	18.91	21.99	25.83			0.4
Equities		14.74	17.14	18.46	20.96	24.23			P/B
Provisions		2.21	1.45	1.51	1.80	2.06			1.6
Liabilities		6.94	6.00	7.65	7.42	8.27			ROE
Deferred Income		1.97	2.38	2.99	3.56	4.08			14.8%
									16.2%
									ROIC
									10.5%
									12.0%
									Equity Ratio
									100%
									100%
									Tax Rate
									0%
									0%

Orad Hi-Tec, VEM Aktienbank AG

## SWOT Analysis

### Strengths

- Innovative and high quality product line makes the company very competitive
- Global presence enables the company to target existing and potential clients all over the world
- Strong management team with long-term experience guarantees successful company vision

### Weaknesses

- Sparse recurring business and just marginal income from services makes it necessary to constantly acquire new clients/projects
- Regulatory issues with regards to airtime in several countries can limit sales growth

### Opportunities

- Constantly changing media environment (like 3D on TV) forces TV companies to invest in innovative products
- Own research department is searching for new applications and new products
- Commercialisation of IPTV will lead to an increased number of TV stations and therefore an increased demand for Orad products

### Threats

- Relatively high US currency dependency leads to volatile sales as well as profit development
- Fast changing technologies and standards make a quick and innovative new product development necessary

**Legal Disclaimer:**

This financial analysis is provided for informational purposes only. The analysis is based on publicly available information and data ("the Data") which VEM Aktienbank AG ("VEM") believes to be reliable and complete, but no representations or guarantees are made neither by VEM nor by its employees with regard to the reliability or completeness of the Data. Neither VEM nor its employees accept any liability or responsibility whatsoever for any expense, loss or damages arising out of or in any way connected with the use of this analysis or any part of it. This analysis does not constitute or form part of, and should not be construed as, any offer for sale or subscription of, or any invitation to offer, to buy or subscribe for any securities. Nothing in this analysis shall be deemed to constitute a contractual or any other obligation of whatever kind of VEM. An investment decision ought to be based on a properly approved prospectus or information memorandum and under no circumstances on this document. In any cases, investors must make their own independent decision as to whether the securities are appropriated on their own judgment and upon the advice of any relevant advisors they have consulted. The analysis has got no advisory function. Opinions, estimates and projections in this analysis constitute the current judgment of its author as of the date of this analysis. They do not necessarily reflect the opinion of VEM and are subject to change without notice. Past performance is not necessarily a guide to future performance. Neither VEM nor its employees accept any liability or responsibility whatsoever in case target figures given in the analysis will not be achieved. Any change in the assumptions on which the analysis is based on can have a material impact on the target figures stated in the analysis. This financial analysis nor any copy of it may not be sent to, brought to, or issued in the United States of America and must not be distributed to U.S. persons (as defined in Regulations S of the U.S. Securities Act of 1933, as amended ("Securities Act") or publications with a general circulation in the United States. This financial analysis does not constitute an offer or invitation to purchase any securities in the United States. The securities of the company described in this financial analysis have not been registered under the Securities Act and may not be offered, sold or delivered within the United States or to U.S. persons absent from registration under or an applicable exemption from the registration requirements of the United States Securities Law. This financial analysis is directed only at persons (I) who are outside the United Kingdom or (II) who have professional experience in matters relating to investments and fall within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 ("the Order"), or (III) are persons falling within Article 49 (2) (A) to (D) (High Net Worth Entities) of the Order (all such persons being referred to as "Relevant Persons"). This document is directed only at Relevant Persons and other persons should not act or rely on this report or any of its contents. Neither this analysis nor any copy of it may be taken or transmitted into Canada or Japan or distributed or redistributed in Canada or Japan or to any resident thereof. The distribution of this analysis in other jurisdictions may be restricted by law and recipients should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the laws of any other such jurisdiction. This analysis may not be reproduced, redistributed, passed on to any other person or published in whole or in part without the prior written consent of VEM. In particular VEM does not allow the redistribution of this analysis to nonprofessional investors and cannot be held responsible in any way for any third parties who effect such redistribution. By accepting this analysis you agree to be bound by the foregoing restrictions.

**Summary of VEM's recommendations over the last 12 month concerning the securities of the company being subject of this analysis**

Date of publication	Share Price at this date	Recommendation	New Fair Value (at date of publication)
11.06.2008	EUR 2,67	Buy	EUR 4,17
19.08.2008	EUR 2,72	Buy	EUR 4,65
14.03.2009	EUR 1,72	Buy	EUR 3,70
18.06.2009	EUR 1,80	Buy	EUR 2,95
07.09.2009	EUR 1,84	Buy	EUR 2,95
12.11.2009	EUR 2,27	Buy	EUR 3,30
01.03.2010	EUR 2,17	Buy	EUR 4,00
18.05.2010	EUR 2,58	Buy	EUR 4,90
16.08.2010	EUR 2,60	Buy	EUR 4,90
04.11.2010	EUR 2,50	Buy	EUR 4,50
02.03.2011	EUR 2,65	Buy	EUR 4,10
23.05.2011	EUR 2,41	Buy	EUR 3,80

**Disclosure of potential conflicts of interests according to Section 34b of the German Securities Trading Act (WpHG) in combination with the German Ordinance on the Analysis of Financial Instruments (FinAnV) at the date of publication of the analysis:**  
Section 34b of the WpHG in combination with the FinAnV requires credit institutions preparing and publishing financial analyses to point out possible conflicts of interest with respect to the companies that are the subjects of the analyses. Possible conflicts of interest of the employees of VEM, that have been involved in the preparation of this analysis, of VEM as the enterprise, being responsible for the preparation of this analysis, of VEM's affiliated companies, or of any other persons or enterprises acting on behalf of VEM or VEM's affiliates and being involved in the preparation of this analysis, may exist with the following company being part of the analysis:

Company	Disclosure
ORAD High-Tec Systems	3 - 5 - 11

- There is a major shareholding (a shareholding exceeding 5 percent of the share capital) between persons and/or enterprises mentioned above and the issuer that is, or whose financial instruments are, the subject of this financial analysis.
- The remuneration of the persons and/or enterprises mentioned above is dependent on investment banking transactions of the responsible enterprise or an undertaking associated with it.
- The persons and/or enterprises mentioned above regularly hold shares of the issuer that is, or whose financial instruments are, the subject of this financial analysis, in its trading portfolio.
- The persons and/or enterprises mentioned above own a short position in shares of the issuer that is, or whose financial instruments are, the subject of this financial analysis, of at least 1 percent of the share capital.
- The persons and/or enterprises mentioned above manage the financial instruments of the issuer that is, or whose financial instruments are, the subject of this financial analysis, on a market by placing buy or sell orders (Market Making/Designated Sponsoring).
- The persons and/or enterprises mentioned above act as Corporate Broker for the issuer that is, or whose financial instruments are, the subject of this financial analysis.
- The persons and/or enterprises mentioned above have, within the past 12 month, been part of a consortium for the issue of shares of the issuer that is, or whose financial instruments are, the subject of this financial analysis, in the way of a public offering.
- The persons and/or enterprises mentioned above have acted as investment bank or selling agent in connection with initial public offering of the issuer that is, or whose financial instruments are, the subject of this financial analysis, in the way of a public offering.
- The persons and/or enterprises mentioned above have, within the past 12 month, been party to an agreement on provision of investment banking services with the issuer that is, or whose financial instruments are, the subject of this financial analysis, or have received services or a promise to perform under the terms of such an agreement during the same period.
- The persons and/or enterprises mentioned above expect or aim, within the next 3 month, for fees, allowances or payments of any other kind for investment banking services from the issuer that is, or whose financial instruments are, the subject of this financial analysis.
- The persons and/or enterprises mentioned above have entered into an agreement on the preparation of this financial agreement with the issuer that is, or whose financial instruments are, the subject of this financial analysis.
- Prior to its first publication, this financial analysis has been made available to the issuer that is, or whose financial instruments are, the subject of this financial analysis.
- The persons and/or members of the management board of the enterprises mentioned above are members of the management or supervisory board of the issuer that is, or whose financial instruments are, the subject of this financial analysis.
- The persons and/or enterprises mentioned above have any other significant economic interests relating to the issuer that is, or whose financial instruments are, the subject of this financial analysis.

VEM has made internal organizational arrangements, e.g. in the way of "Chinese Walls" or by keeping watch- and restricted lists, so as to prevent as far as possible any conflicts of interest in preparing and publishing analyses. VEM will disclose conflicts of interests if they occur.

**Authors of this financial analysis:**

Raimund Saier, Diplom Volkswirt, CEFA, M.A.

**Company responsible for the preparation and communication of this financial analysis:**

VEM Aktienbank AG, Prannerstr. 8, 80333 Munich („VEM“)

VEM is registered as Credit Institution at the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht - "BaFin"), Lurgallee 12, D-60439 Frankfurt, Germany and is subject to supervision by the BaFin.

**Details of material sources of information:**

This financial analysis is based on public available information (Company presentations, Annual Reports, Quarterly Reports, Press Information, prospectus, ad-hoc announcements etc.). Moreover, management interviews for more detailed information about the current business development were held with the company.

**Summary of the valuation methods and principles applied in the preparation of the financial analysis:**

The valuations underlying the ratings of the securities analysed by VEM are based on generally accepted and widely used methods of fundamental valuation, such as DCF model, Peer group comparison, NAV valuation and - where applicable - a Sum-of-the-parts model. VEM applies an absolute equity rating system with 3 grades. Each grade complies with following expectations (Ratings refer to time period of 6 months):

- BUY: The expected return (composed of the projected change of the share price and the anticipated dividend yield) is at least + 10 %.  
 HOLD: The expected return (composed of the projected change of the share price and the anticipated dividend yield) ranges from - 10 % and + 10 %.  
 SELL: The expected return (composed of the projected change of the share price and the anticipated dividend yield) is worse than - 10 %.

For further important details concerning the valuation methods applied in the preparation of this analysis, the meaning of the specific investment recommendation (including the recommended investment period, the risks associated with the investment and the sensitivity of the valuation parameters) please see the Section "Valuation" in this analysis.

**Quarterly summary:**

VEM is evaluating its ratings on a quarterly basis. The evaluation for the last quarter compares VEM's recommendations "Buy", "Hold", and "Sell" in total with VEM's recommendations "Buy", "Hold", and "Sell" for companies to which VEM has delivered significant investment banking services during the last 12 month. To view this evaluation, please visit [www.vem-aktienbank.de](http://www.vem-aktienbank.de).

**Additional important information:**

Date of first publication of this analysis by VEM : August 17, 2011  
 Date and Time of relevant Share Price (see first page)

A schedule for an update of this Analysis is not appointed yet. VEM reserves the right to update any individual analysis without prior notice.