

**UPDATE**  
Equities | Israel

November, 12 2009

Recommendation:

**BUY**

**Risk:**  
**High**

Actual Price: EUR 2,27  
New Fair Value: EUR 3,30  
Old Fair Value: EUR 2,95

Sector: Technology  
Segment: Media Software

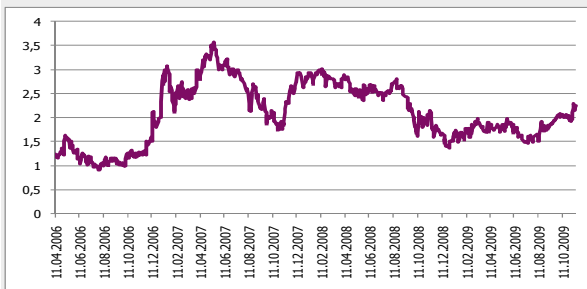
Reuters Code: OHTG.F  
Bloomberg Code: OHT GR

Home Page: www.orad.tv  
Fiscal Year: December

**Trading Data**

High/Low 52w: EUR 3,04 - 1,15  
Market Cap.: EUR 24,62 Mio  
Shares outstanding: 10,82 Mio  
Free Float: 55%

**Price Chart**



**Financial Calendar:**

February 23rd 2010 First quarter results 2010

**Date and Time of Stock Price**  
November, 12 2009, 1730 am MEZ

VEM Aktienbank  
Raimund Saier, Analyst  
089 30903 4881  
r.saier@vem-aktienbank.de

Please check Disclaimer and other Information on Page 3

**Orad Hi-Tec Systems**

**Third quarter results 2009: STRONG**

Orad Hi-Tec Systems reported strong third quarter 2009 results on November 9, 2009. Sales came in at USD 6,65 Mio., which was 18% down compared to the same period last year, but 18% up compared to Q2 2009. Gross margins extended again to a very good 71% (in Q3 2008 the company achieved gross margins of 68%). EBIT was USD 0,679 Mio., equal to an operating profit margins of 10,2%. Net profit was with USD 0,848 Mio. even higher; due to a positive financial income. Cash flow was with USD 2,4 Mio. again strong, increasing the current cash level to USD 16,1 Mio.. The strong results of the company were mainly due to a very positive product mix, distribution successes and higher efficiency rates. On the product side the "Morpho", an entry level 3D broadcast graphics product did particularly well. A reduction in hardware costs helped to increase gross margins.

**Q4 2009 and 2010 should be very good**

We believe that the rest of 2009 and in particular 2010 should turn out to be very good for the company. We expect the "Morpho" product to run still very strong, as well as other products out of the existing portfolio. For 2010 we assume one of the strongest growth drivers will be the "Play Maker", a slow motion server for sports broadcasting applications. The "slow motion" market is large but surprisingly not very competitive. There is actually just one company dominating more or less the whole market: the Belgium EVS Group. Orad Hi-Tec has presented the new "Play Maker" at the IBC fair in Amsterdam and the response was very promising. The company has already received several orders.

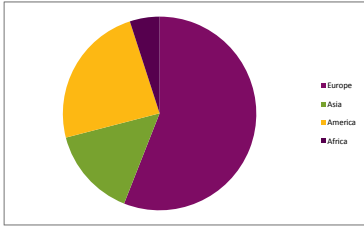
Consequently we believe it is very much likely that Orad is fast taking market share from its competitors not just with new but also with existing products. On one side this is due to the weakness of the competitors' portfolio and to the strength of Orads, on the other hand market share should increase due to Orads improved distribution and sales force. Nevertheless we stick to our already aggressive 2009 estimates and leave these numbers unchanged. We expect sales of USD 27 Mio. (minus 15% compared to fiscal year 2008). Operating profit margins should come in at 6%. For 2010 we have increased our estimates and now expect total sales of USD 31,6 Mio. (from USD 29,74 Mio.). We expect EBIT margin could increase to 10% in 2010.

**Target Price raised to EUR 3,30 - Still a great bargain**

Orads stock is still a bargain. With more than EUR 16,1 Mio in cash and no long-term debt the balance sheet looks more than solid. Due to a improved short and mid-term outlook we increase our price target from EUR 2,95 to EUR 3,30. Our valuation model combines a dividend discount model with a peer group analysis.

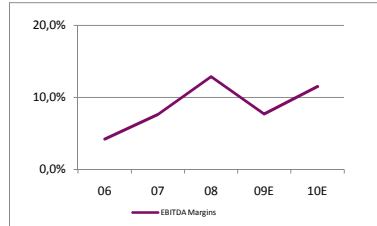
We really hope that finally investors recognize the value of the company and recommend a purchase of the stock in particular to patient long term investors.

## Sales Distribution 2008



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, Chinas biggest TV station, FOX, Turner, CBC, Deutsche Welle, PCCW, TV Globo. Edmond de Rothschild and the Cohazick Fund hold more than 20% of the company. The biggest competitor is VIZRT.

## Financials

Fiscal Year Ending Dezember 31

Profit & Loss					Cash Flow Statement						
	2006	2007	2008	2009E	2010E	2006	2007	2008	2009E	2010E	
in Mio USD											
Sales	17,72	22,94	31,89	27,01	31,61	Net Income	0,64	1,78	3,43	1,78	3,37
Percentage change in %		29%	39%	-15,3%	17,0%	Amortisation	0,57	0,55	1,12	0,46	0,47
EBITDA	0,74	1,75	4,11	2,08	3,63	Changes in Working Capital	2,71	2,65	-2,70	-0,77	0,91
in % to Sales	4,2%	7,6%	12,9%	7,7%	11,5%	Cash flow from operative Business	3,91	4,97	1,85	1,47	4,75
EBIT	0,17	1,21	3,67	1,62	3,16	Capex	-0,17	-1,11	-0,53	-0,51	-0,57
in % to Sales	1,0%	5,3%	11,5%	6,0%	10,0%	Financial Investments	0,01	0,02	0,00	0,00	0,00
Net Profit	0,64	1,78	3,43	1,78	3,37	Free Cash Flow	3,75	3,89	1,32	0,96	4,18
in % to Sales	3,6%	7,7%	10,8%	6,6%	10,7%	Dividends	0,00	0,00	0,00	0,00	0,00
shares outstanding (in Mio)	10,82	10,98	11,02	10,96	10,96	Net Cash	3,75	3,89	1,32	0,96	4,18
EPS (reported)	0,06	0,16	0,31	0,16	0,31	Cash beginning of the year	5,34	9,09	12,98	14,30	15,27
						Cash end of the year	9,09	12,98	14,30	15,27	19,45
Balance Sheet					Key Figures						
	2006	2007	2008	2009E	2010E		2009E	2010E	2011E		
in Mio USD											
Trade Receivables	2,55	3,10	3,32	3,25	3,35	P/E	11,3	6,0	4,4		
Inventories	3,78	3,11	5,15	4,06	4,53	EV/Sales	0,2	0,2	0,2		
Cash	2,70	2,92	2,65	3,24	3,16	P/B	1,4	1,2	1,0		
Equities	9,66	14,05	14,76	16,34	20,52	Dividend Yield	0,0%	0,0%	0,0%		
Provisions	9,22	11,11	14,74	16,32	19,69	ROE	10,9%	17,1%	19,0%		
Liabilities	1,50	1,95	2,21	1,88	2,19	ROIC	7,6%	12,3%	14,1%		
Deffered Income	5,44	6,12	7,83	6,94	7,02	Equity Ratio	100%	100%	100%		
	1,84	2,28	1,97	1,67	1,96	Tax Rate	0%	0%	0%		

Orad Hi-Tec, VEM Aktienbank AG

## SWOT Analyse

### 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 acquire constantly new clients
- Optimized distribution structure has to give prove to sell successfully in the long run
- Regulatory issues in regards to airtime in several countries can limit sales growth

### Opportunities

- Constantly changing media environment (like the transition from SD to HD) forces TV companies to invest in innovative products
- Own research department is searching for new applications and new products
- Comercialization of IPTV will lead to an increase number of TV stations and therefore an increased demand for Orad products

### Threats

- Global economic weakness has a negative effect on investment spending by TV stations.
- 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

**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 may exist with the following company being part of the analysis:

Company	Disclosure
Orad Hi-Tec	2;6;12
1)	VEM and/or any of its affiliated companies hold a more than 5% interest in the capital stock of the company,
2)	VEM and/or any of its affiliated companies regularly hold shares of the company in its trading portfolio,
3)	VEM and/or any of its affiliated companies own a short position in shares of the company of 1% of the companies share capital or above,
4)	VEM and/or any of its affiliated companies, within the past 12 month, have been part of a consortium for the issue of shares in the company in the way of public offering,
5)	VEM and/or any of its affiliated companies, within the past twelve months, have been party to an agreement on the provision of investment banking or bank consulting services with the company,
6)	VEM and/or any of its affiliated companies manage the financial instruments of the company on a market by placing buy or sell orders,
7)	VEM and/or any of its affiliated companies act as Corporate Broker of the company,
8)	The author of the analysis or any of his personnel is holding shares, or a related derivative, in the company,
9)	A director or employee of VEM and/or any of its affiliated companies is a director or a member of the supervisory board of the company,
10)	VEM and/or any of its affiliated companies, within the next three months, expect or aim for fees, allowances or any other payments for services in the field of investment banking,
11)	Prior to its first publication, the analysis has been made available to the company and has been changed thereafter,
12)	VEM has entered into an agreement on the preparation of the financial analysis with the company or a person or party related to the company,
13)	VEM and/or any of its affiliated companies acted as investment bank or selling agent in connection with the company's public offering.

VEM has made internal organisational 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"), Lurgiallee 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 : November 12, 2009

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.