

# Update



## Equities - Israel

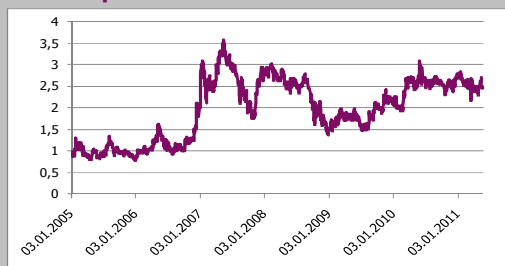
23.05.2011

Rating:	<b>Buy</b>
Risk:	Medium
Current Price:	EUR 2.41
Price Target New (Old):	EUR 3.8 (EUR 4.1)
Potential:	58%
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 3.11-2.10
Market Capitalisation:	EUR 26.51 mil.
Shares Outstanding:	11 mil.
Free Float:	37%

### Price Graph



### Financial Calendar

August 2011      H1 2011 results

Date and Time of Prices  
23.05.2011 14:00 (CET)

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

## Orad Hi-Tec Systems

### Orad reports Q1 2011 figures: sales come in as expected - slight weakness on the profit side

Today, Orad Hi-Tec Systems reported its first quarter 2011 results. Sales came in as expected, profits disappointed a bit.

Q1 2011 sales have reached a satisfying USD 8.0 mil., a plus of 15% compared to the same quarter last year.

Although the company was able to improve gross profit margins from 64% in Q4 2010 to 68% in Q1 2011, net margins came in weaker as hoped.

Net profit for the first quarter 2011 was USD 0.638 mil. representing a net profit margin of 7.95%. In Q1 2010 net profit margins were 10.8%.

Responsible for the margins decrease was an over-proportional rise in overall expenses. Research & Development costs increased by 25% compared to the same quarter 2010, Sales & Marketing costs rose by 24%.

After distributing a net dividend of USD 0.7 mil., cash balance was still a very strong USD 16.5 mil..

Earlier this year the CFO Ehud Ben Yair has announced to resign. He will leave the company in September 2011. Although we regret this decision, we believe it will not have any negative effect on the operational success and future of the company.

### Technological challenges demand for higher investments in the future - 2011 profit margins estimates lowered

We still believe in the growth story of Orad Hi-Tec Systems, but the fast changing and demanding technological environment seems to call for higher Research & Development investments than expected.

Obviously, we find this a necessary investment into the future, although it might dampen our short-term margins expectations a bit.

First new product pipeline successes have already been announced as two new products - a Radio TV audio/video & graphics solution and an additional server product for broadcasters used as a playout device - have been introduced at the important NAB show and got very good reviews.

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.

As costs increase more than we have anticipated, we are reducing our profit expectations for the full year 2011. We now 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 increased investments in research as well as increased marketing activities should pay off.

### New price target EUR 3.80

We stick to our BUY rating, but we are decreasing our fair value from EUR 4.10 to EUR 3.80. Our peer group analysis lead to the reduction of the fair value of Orad`s stock.

Nevertheless our fair value is 58% above the current share price. With a current cash level of USD 16.5 mil. and a favourable dividend policy we find the stock is still traded at a great bargain.



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## 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

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

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## 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.

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## Additional important information:

Date of first publication of this analysis by VEM : May 23, 2011  
 Date and Time of relevant Share Price (see first page)