

UPDATE
Equities | Israel

November, 04 2010

Recommendation:

BUY

Risk:

High

Current Price:	EUR 2,51
New Fair Value:	EUR 4,50
Old Fair Value	EUR 4,90

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 3,09 - 1,85
Market Cap.:	EUR 27,7 mil.
Shares outstanding:	11,04 mil.
Free Float:	37%

Price Chart



Financial Calendar:

March, 2011	Q4 2010 results
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Date and Time of Stock Price
November, 04 2010, 0930 m CET

VEM Aktienbank
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Please check Disclaimer and other Information on Page 3

Orad Hi-Tec Systems Ltd.

Orad reports Q3 and 9M 2010 results - still going strong

Today Orad Hi-Tec Systems reported its third quarter 2010 results, which came in as expected. Sales have reached USD 7,7 mil., representing an increase of 15% from the comparable period last year. Q3 2010 gross margin at 68,2% was a bit weaker compared to Q3 2009 (71,2%), but net profit margin for Q3 2010 was with 14,26% (Q3 2009: 12,7%) very strong and promising.

During this period Orad Hi-Tec paid a dividend in the amount of USD 1,8 mil.. Cash flow from operational activity was again positive with USD 1,0 mil.. Cash level stands now at an impressive USD 18,1 mil.. On a regional basis especially high demand was recognised from the USA, Eastern Europe and Asia. Product-wise the Playmaker, a slow motion server for sports production, is doing well in particular with orders coming from Americas and Asia.

2010: we stick to our estimates

We see absolutely no reason to change our positive and quite aggressive sales target and stick to our 2010 sales estimate of USD 31,6 mil., up 18% compared to last year. Usually the fourth quarter is the strongest quarter for Orad and we believe this will be the same this year.

The global economy is doing well especially in Europe and Asia and broadcasters are finally making money again due to an increase in advertising income. We expect new investments from broadcasters in infrastructure. This should lead to new orders for Orad Hi-Tec Systems.

Recently Orad Hi-Tec has introduced a number of new solutions at IBC in Amsterdam, the leading forum for the electronic media industry. This should support the high demand for Orads products, which are very innovative and competitive. We expect market share gains in the future.

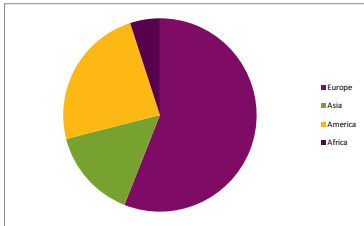
We do not change our estimates on the margins side, although we might be a bit too conservative on the net margin level. We expect gross margins to come in at 71% for the full year 2010 and net margins to reach 10,7% (2009: 8%). This should result in a net profit of USD 3,37 mil. for the full year 2010.

For 2011 we expect a net profit margin expansion to 12,8% due to the trend to higher margin products, less hardware, more software. In 2011 sales should come in at USD 36,2 mil., a plus of 15% compared to 2010.

We leave our BUY rating unchanged but reduce our target price from EUR 4,90 to EUR 4,50 due to the quite substantial appreciation of the EUR against the USD. Operationally we would not see any reason to reduce our fair value target.

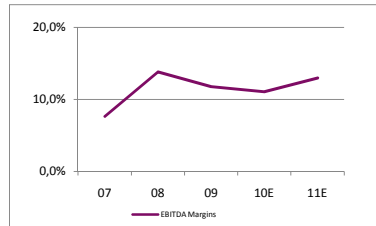
The stock is still a great bargain!!

Sales Distribution



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 Cohanzick Fund hold more than 20% of the company. One of the biggest competitor sis VIZRT.

Financials

Fiscal Year Ending Dezember 31

Profit & Loss					Cash Flow Statement					
	2007	2008	2009	2010E	2011E	2007	2008	2009	2010E	2011E
in mil. USD										
Sales	22,94	31,89	26,87	31,61	36,21	Net Income	1,78	3,43	2,16	3,37
Percentage change in %		39%	-16%	17,7%	14,5%	Amortisation	0,55	1,12	0,78	0,33
EBITDA	1,75	4,41	3,17	3,50	4,70	Changes in Working Capital	2,65	-2,70	0,12	0,40
in % to Sales	7,6%	13,8%	11,8%	11,1%	13,0%	Cash flow from operative Business	4,97	1,85	3,06	4,11
EBIT	1,21	3,67	2,39	3,16	4,34	Capex	-1,11	-0,89	-0,18	-0,40
in % to Sales	5,3%	11,5%	8,9%	10,0%	12,0%	Financial Investments	0,02	0,00	0,00	0,00
Net Profit	1,78	3,43	2,16	3,37	4,62	Free Cash Flow	3,89	0,96	2,88	3,70
in % to Sales	7,7%	10,8%	8,0%	10,7%	12,8%	Dividends	0,00	0,00	0,00	1,80
shares outstanding (in Mio)	10,98	11,02	10,82	11,04	11,04	Net Cash	3,89	0,96	2,88	1,90
EPS (reported)	0,16	0,31	0,20	0,31	0,42	Cash beginning of the year	9,09	12,98	13,94	16,82
						Cash end of the year	12,98	13,94	16,82	18,72
										23,85
Balance Sheet					Key Figures					
	2007	2008	2009	2010E	2011E		2010E	2011E		
in mil. USD										
Assets	3,10	3,32	3,28	3,24	3,31	P/E	8,2	6,0		
Trade Receivables	3,11	5,15	4,46	3,97	4,42	EV/Sales	0,4	0,4		
Inventories	2,92	2,65	1,91	3,16	3,62	P/B	1,7	1,5		
Cash	14,05	14,76	17,32	19,79	24,92					
Equities	11,11	14,74	17,14	18,48	23,11	ROE	18,2%	20,0%		
Provisions	1,95	2,21	1,45	1,71	1,96	ROIC	13,1%	14,9%		
Liabilities	7,83	6,94	6,00	7,17	7,99	Equity Ratio	100%	100%		
Deffered Income	2,28	1,97	2,38	2,80	3,21					
						Tax Rate	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
- Regulatory issues in 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
- Comercialization of IPTV will lead to an increase 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

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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

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Company	Disclosure
ORAD High-Tec Systems	3 - 5 - 11
1. 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
2. The remuneration of the persons and/or enterprises mentioned above is dependent on investment banking transactions of the responsible enterprise or an	undertaking
3. 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
4. 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 f	financial
5. 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
6. 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
7. 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
8. 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
9. 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
10. 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
11. 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
12. 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
13. 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
14. 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

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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.

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.

Additional important information:

Date of first publication of this analysis by VEM : November 04, 2010

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.