

UPDATE
Equities | Israel

June, 18th 2009

Recommendation:

BUY
Risk:
High

Actual Price:	EUR 1,80
New Fair Value:	EUR 2,95
Old Fair Value:	EUR 3,70
Potential:	115%

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 18,95 Mio
Shares outstanding:	10,82 Mio
Free Float:	55%

Price Chart

Financial Calendar:

August 2009	Second quarter results 2009
November 2009	Third quarter results 2009

Date and Time of Stock Price
June, 18 2009, 9 am MEZ
VEM Aktienbank
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Please check Disclaimer and other Information on Page 3

Orad Hi-Tec Systems

First quarter results 2009: Crisis finally hits Orad

Orad Hi-Tec Systems reported first quarter 2009 results on May 29th 2009. As expected company sales were effected negatively by the global economic crisis. Sales decreased by 27% to USD 5,6 Mio compared to Q1 2008. Weak demand as well as a delay in project completion were responsible for the downtrend. Slow demand was seen in particular in the graphics unit. Regionally all areas were characterized by disappointments.

Positive was the development of gross margins which increased to 70% (from 67% in 2008). This was achieved thanks to a tight cost control and a better product mix. As Orads business is very personnel intensive and the company so far did not lay of any of its workforce, operative costs were not dramatically lower compared to 2008. Therefore it is not much of a surprise that operative profit just reached USD 0,212 Mio. in Q1 2009; equal to an EBIT margin of 3,8%. Below expectations was the reported net loss of USD -0,238. Responsible were solely the negative financial results (USD -0,453) as the company was burdened by negative currency effects. and lower interest rates.

Full year 2009: Further weakness expected

We do not expect a turnaround in 2009. The media segment globally is suffering from a downtrend in advertisement spending. For the USA independent experts believe that ad spending will decrease as much as 8% in 2009 representing the steepest decline in 8 years. In other regions a similar trend seems to be realistic. This obviously will have a negative effect on the capital spending of TV stations. Therefore we expect an ongoing postponement of planned Orad projects as well as a longer lasting low product demand.

Consequently we are decreasing our 2009 sales expectations for Orad Hi-Tec from USD 31,8 Mio. to USD 27,0 Mio., which represents a sales decrease of 15% compared to last year. As management does not plan to lay of workforce cost cutting should be limited. We therefore foresee a decrease in the 2009 EBIT margin to 6% (down from 11,5% last year).

In the long run: Company is very well positioned

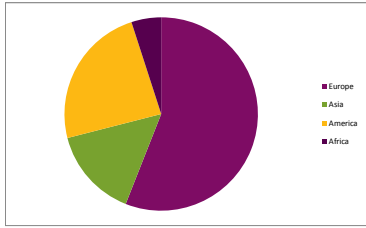
Although 2009 will be somehow disappointing we find the company is very well positioned in the long run. Compared to its competitors Orad is still gaining market share, showing that the company offers superior products and has a strong sales force. Recent new deals were done with the German CBC, (Graphic solutions have been bought) and the Brazilian Rede Records (Graphic upgrades as well as virtual studio updates were purchased). Additionally the company is still investing in new products and has just introduced at NAB trade show in Las Vegas a new video server which could take market share away from the competitor EVS. Last but not least with around USD 14 Mio. of cash the company has enough capital to survive the crisis and to likely make small acquisitions in order to be strategically well positioned for the future.

We expect the economy to rebound in 2010 and believe that Orad should be able to achieve a sales growth of 10% in 2010 reaching USD 29,7 Mio.. EBIT margins should increase to 8%.

Stock: Reduced target price but still a great bargain

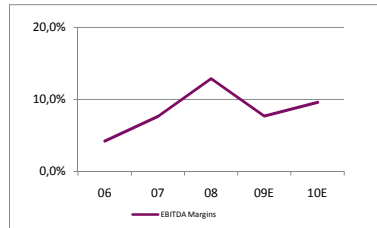
Orads stock is still a bargain, although we are reducing our price target from EUR 3,70 to EUR 2,95 , due to a lower peer group valuation and a lower DCF fair value. With more than USD 14 Mio in cash and no long-term debts the stock trades almost at cash value . We recommend a purchase of the stock in 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, 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. The biggest competitor is VIZRT.

Financials

Fiscal Year Ending December 31

Profit & Loss	2006	2007	2008	2009E	2010E	Cash Flow Statement	2006	2007	2008	2009E	2010E
in Mio USD											
Sales	17,72	22,94	31,89	27,01	29,74	Net Income	0,64	1,78	3,43	1,55	2,59
Percentage change in %		29%	39%	-15,3%	10,1%	Amortisation	0,57	0,55	1,12	0,46	0,47
EBITDA	0,74	1,75	4,11	2,08	2,85	Changes in Working Capital	2,71	2,65	-2,70	-0,77	1,01
in % to Sales	4,2%	7,6%	12,9%	7,7%	9,6%	Cash flow from operative Business	3,91	4,97	1,85	1,24	4,07
EBIT	0,17	1,21	3,67	1,62	2,38	Capex	-0,17	-1,11	-0,53	-0,51	-0,57
in % to Sales	1,0%	5,3%	11,5%	6,0%	8,0%	Financial Investments	0,01	0,02	0,00	0,00	0,00
Net Profit	0,64	1,78	3,43	1,55	2,59	Free Cash Flow	3,75	3,89	1,32	0,74	3,51
in % to Sales	3,6%	7,7%	10,8%	5,7%	8,7%	Dividends	0,00	0,00	0,00	0,00	0,00
shares outstanding (in Mio)	10,8	10,8	10,8	10,8	10,8	Net Cash	3,75	3,89	1,32	0,74	3,51
EPS (reported)	0,06	0,16	0,32	0,14	0,24	Cash beginning of the year	5,34	9,09	12,98	14,30	15,04
						Cash end of the year	9,09	12,98	14,30	15,04	18,55

Balance Sheet	2006	2007	2008	2009E	2010E	Key Figures	2009E	2010E	2011E
in Mio USD									
Long Term Assets	2,55	3,10	3,32	3,25	3,35	P/E	12,9	7,7	5,4
Trade Receivables	3,78	3,11	5,15	4,06	4,37	EV/Sales	0,2	0,2	0,2
Inventories	2,70	2,92	2,65	3,24	2,97	P/B	1,3	1,2	1,1
Cash	9,66	14,05	14,76	16,11	19,62	Dividend Yield	0,0%	0,0%	0,0%
Equities	9,22	11,11	14,74	16,09	18,68	ROE	9,6%	13,9%	16,4%
Provisions	1,50	1,95	2,21	1,88	2,06	ROIC	6,7%	9,8%	11,9%
Liabilities	5,44	6,12	7,83	6,94	7,02	Equity Ratio	100%	100%	100%
Deferred Income	1,84	2,28	1,97	1,67	1,84	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 recession 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

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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

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Company	Disclosure
Orad Hi-Tec	6;12
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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:

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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 : June 18, 2009

Date and Time of relevant Share Price (see first page): June 18, 2009, 9 A.M. CEST

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