

UPDATE
Equities | Israel

August, 16 2010

Recommendation:

BUY

Risk:
High

Actual Price: EUR 2,60
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 2,91 - 1,56
Market Cap.: EUR 28,1 mil.
Shares outstanding: 10,82 mil.
Free Float: 37%

Price Chart



Financial Calendar:

November, 2010: Q3 2010 results

Date and Time of Stock Price
August, 16 2010, 1500 m MEZ

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Please check Disclaimer and other Information on Page 3

Orad Hi-Tec Systems Ltd.

Very good half year and second quarter 2010 results - leaving estimates unchanged

Today Orad Hi-Tec Systems reported its first six months 2010 results, which were again very promising. Revenues have reached USD 13,3 mil., up 19% from the comparable period last year. Gross margin increased to 72% from 70% in the same period. Operating margin was a strong 9,8%.

On June 2010, the company declared a gross dividend in the amount of USD 1,8 mil.. Cash flow from operational activity was again positive with USD 1,7 mil.. Cash level is now at an impressive USD 17,5 mil..

Demand was particularly strong in new products as well as Sports products, as the management reports.

Additionally positive is the order backlog, which is 15% higher than in the same period last year.

2010: we remain positive

We stick to our 2010 sales and margin targets. Sales should reach USD 31,6 mil., up 18% compared to last year. Gross margin should come in at 71%, EBIT margin should be 10%.

The growth story is still intact. We believe that company will still gain market share. Orad Hi-Tec is constantly launching exciting new products and has a very attractive product portfolio.

We expect orders to come in globally, as additionally to the strong product portfolio, the company has a very strong sales force.

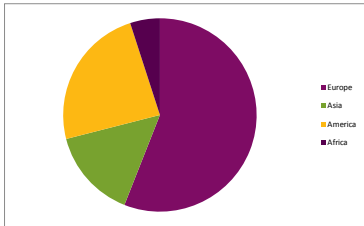
We believe that the trend to 3D on TV will be a particular growth driver for Orad Hi-Tec. The company has developed attractive solutions, which seem to find great client interest. As an example the French Television company M6 has used Orad's "Stereographics" solution to support the 3D broadcast for the very popular French version of "Pop Idol" in June 2010.

This September the company will present several new products at IBC - the leading forum for the electronic media industry. One will be the Worldmapper solution, an up to date maps visualization tool with access to Microsoft's Bing. Additionally, the company will demonstrate its Stereo3D virtual studio. We expect high interest from existing and new clients.

We stick to our target price of EUR 4,90 and recommend purchasing

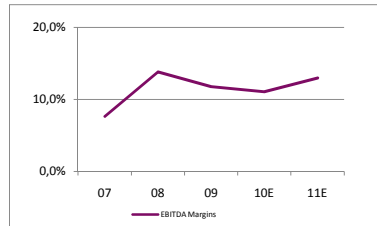
We do not get tired of saying: Orad's stock is a great bargain. Our valuation model combines a dividend discount model with a peer group analysis. Our target price remains EUR 4,90.

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	1,49
shares outstanding (in Mio)	10,98	11,02	10,82	10,82	10,82	Net Cash	3,89	0,96	2,88	2,21
EPS (reported)	0,16	0,31	0,20	0,31	0,43	Cash beginning of the year	9,09	12,98	13,94	16,82
						Cash end of the year	12,98	13,94	16,82	19,03
										24,16
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			1,6	1,5
Cash	14,05	14,76	17,32	20,10	25,23					
Equities	11,11	14,74	17,14	18,79	23,42	ROE			17,9%	19,7%
Provisions	1,95	2,21	1,45	1,71	1,96	ROIC			13,0%	14,7%
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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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

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Company	Disclosure
ORAD High-Tec Systems	3 - 5 - 11
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2.	The remuneration of the persons and/or enterprises mentioned above is dependent on investment banking transactions of the responsible enterprise or an associated with it.
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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 financial analysis, of at least 1 percent of the share capital.
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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 financial instruments are, the subject of this financial analysis, in the way of a public offering.
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 to 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.
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 services from the issuer that is, or whose financial instruments are, the subject of this financial analysis.
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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:

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 : August 16, 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.