

UPDATE
Equities | Israel

March, 02 2011

Recommendation:

BUY

Risk:

High

Current Price: EUR 2.65
New Fair Value: EUR 4.10
old fair value: EUR 4.50

Sector: Technology
Segment: Media Software

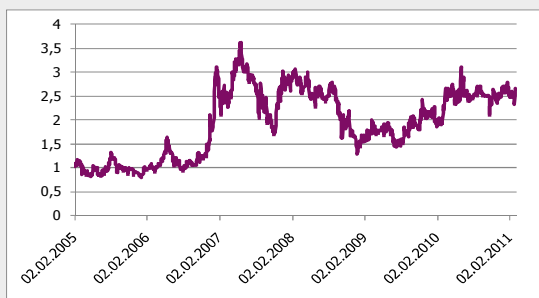
Reuters Code: OHTG.F
Bloomberg Code: OHT GR

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

Trading Data

High/Low 52w: EUR 3.10 - 2.15
Market Cap.: EUR 29.15 mil.
Shares outstanding: 11 mil.
Free Float: 37%

Price Chart



Financial Calendar:

May, 2011: Q1 2011 results

Date and Time of Stock Price
March, 02 2011, 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 Q4 2010 and 2010 figures - not mind blowing but satisfying

Today Orad Hi-Tec Systems reported its fourth quarter 2010 as well as full year 2010 figures. Results were satisfying but unfortunately just average Q4 2010 figures dampened the full year results a bid. 2010 sales have reached USD 29.16 mil., representing a plus of 9% compared to last year. We have expected sales of USD 31.6 mil., as we hoped that the fourth quarter 2010 might be stronger than it actually was.

But overall particularly strong were sales in Eastern Europe as well as Asia. On the product side the company could benefit mainly from new products in the "slow motion" segment.

We are happy with the fact that, gross margins could be lifted from 67% in 2009 to 70% in 2010. Responsible for the increase was a more favourable product mix with a higher proportion of high margin products and services. Therefore, 2010 EBIT margin increased to a good 10.6% after 8.9% in 2009.

Net profits 2010 improved by 27% to USD 2.7 mil.. Net profit margin was 9.4% (last year 8.0%).

The company has decided to suggest to pay a dividend of USD 0.911 mil.. Liquidity has reached a very strong USD 19.1 mil.

2011 should be characterized by above average growth

Orad Hi-Tec Systems growth story is still in tact. The company has superior products and benefits from the trend of increasing investment by TV stations globally. As already in 2010 "slow motion" products should be very successful in 2011 as well, but we believe that new exciting products should additionally support the growth. Orders should come from all over the world, but we expect again above average growth coming from Asia.

For 2011 we calculate with a sales growth of 19% to USD 34.7 and with net profits of USD 4.1 mil., which should lead to a net profit margin of 11.8%.

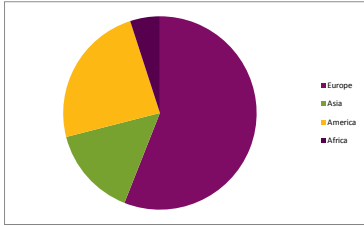
Since we do not see an acquisition taking place in 2011, we believe that cash will increase even further in 2011. We expect the cash position to be USD 22.7 mil. at the end of 2011. Consequently we believe that Orad Hi-Tec Systems will stick to its dividend policy.

We stick to our BUY rating. But we are decreasing our fair value from EUR 4.50 to EUR 4.10. In particular our peer group analysis lead to the slight reduction of the fair value of Orads stock.

Nevertheless, the company is still tremendously undervalued and is a great bargain. It is very rare to be able to purchase such a strongly growing company with improving margins, a favourable dividend policy and around EUR 13,7 mil. in cash in the bank.

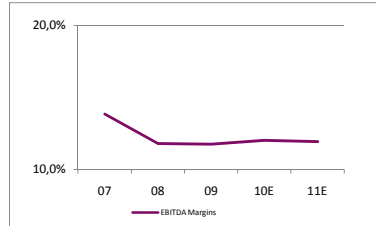
We still recommend investing!!

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		2008	2009	2010	2011E	2012E	Cash Flow Statement		2008	2009	2010	2011E	2012E
in mil. USD													
Sales		31.89	26.87	29.16	34.72	39.77	Net Income				2.73	4.10	4.37
Percentage change in %			-16%	9%	19.1%	14.6%	Amortisation					0.35	0.37
EBITDA		4.41	3.17	3.42	4.17	4.74	Changes in Working Capital					0.72	0.64
in % to Sales		13.8%	11.8%	11.7%	12.0%	11.9%	Cash flow from operative Business				2.73	5.16	5.39
EBIT		3.67	2.39	3.09	3.82	4.37	Capex				-0.08	-0.42	-0.44
in % to Sales		11.5%	8.9%	10.6%	11.0%	11.0%	Financial Investments				-1.66	-0.91	-1.20
Net Profit		3.43	2.16	2.73	4.10	4.37	Free Cash Flow				1.00	3.83	3.74
in % to Sales		10.8%	8.0%	9.4%	11.8%	11.0%							
shares outstanding (in Mio)		11.02	10.82	11.04	11.04	11.04	Cash beginning of the year				16.95	18.91	22.74
EPS (reported)		0.31	0.20	0.25	0.37	0.40	Cash end of the year				18.91	22.74	26.49
Balance Sheet		2008	2009	2010	2011E	2012E	Key Figures		2011E	2012E			
in mil. USD													
Assets		3.32	3.28	3.46	3.80	3.87	P/E		8.2	6.0			
Trade Receivables		5.15	4.46	4.88	4.56	5.06	EV/Sales		0.4	0.4			
Inventories		2.65	1.91	3.15	3.47	3.98	P/B		1.7	1.5			
Cash		14.39	16.95	18.91	22.74	26.49							
Equities		14.74	17.14	18.46	21.92	25.10							
Provisions		2.21	1.45	1.51	1.80	2.06	ROE		18.2%	20.0%			
Liabilities		6.94	6.00	7.65	7.51	8.37	ROIC		13.1%	14.9%			
Deferred Income		1.97	2.38	2.99	3.56	4.08	Equity Ratio		100%	100%			
							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
04.11.2010	EUR 2,50	Buy	EUR 4,50

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 of the employees of VEM, that have been involved in the preparation of this analysis, of VEM as the enterprise, being responsible for the preparation of this analysis, of VEM's affiliated companies, or of any other persons or enterprises acting on behalf of VEM or VEM's affiliates and being involved in the preparation of this analysis, may exist with the following company being part of the analysis:

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 whose financial instruments are, the subject of this financial analysis.	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 associated with it.	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 its trading portfolio.	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 financial analysis, of at least 1 percent of the share capital.	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 analysis, on a market by placing buy or sell orders (Market Making/ Designated Sponsoring).	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 analysis.	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 financial instruments are, the subject of this financial analysis, in the way of a public offering.	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 financial instruments are, the subject of this financial offering.	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 during the same period.	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 services from the issuer that is, or whose financial instruments are, the subject of this financial analysis.	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 financial instruments are, the subject of this financial analysis.	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 analysis.	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 is, or whose financial instruments are, the subject of this financial analysis.	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 subject of this financial analysis.	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 : March 02, 2011
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.