

Update



Equities - Israel

November 15th, 2012

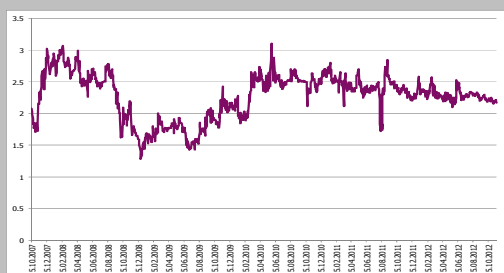
Rating:	Buy
Risk:	Medium
Current Price:	EUR 2.17
New Price Target:	EUR 3.20
Old Price Target:	EUR 3.80
Potential:	47%
Sector:	Technology

Reuters Code:	OHTG.F
Bloomberg Code:	OHT GR
Internet Page:	www.orad.tv
Fiscal Year Ending:	December

Trading Data

Price High/Low 52w:	EUR 2.90 - 2.10
Market Capitalisation:	EUR 24.18m
Shares Outstanding:	11.145m
Free Float:	37%

Price Graph



Financial Calendar

March 2013 Release Financial Report 2012

Date and Time of Prices
November 15, 2012 10:00 (CET)

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

Orad Hi-Tec Systems

Q3 2012 results: Weaker than expected

Today, Orad Hi-Tec Systems reported its third quarter 2012 results, which were weaker than expected. After years of strong sales growth the company had to report a sales decline on a quarter to quarter comparison. Q3 2012 sales declined by -2.7% to USD 8.8m compared to last year (Q3 2011: USD 9.0m). Responsible for the somehow disappointing figures was mainly a weak business in its core area Europe. The US business, though, was satisfying. Orad was chosen to supply equipment and services to four leading broadcasting networks during the election period.

Q3 2012 profit was as well below our expectations. Q3 2012 gross profit margins decreased to 67%, which is one of the weakest figures in the last periods. Consequently, operating income was low and came in at USD 0.191m, which is equal to an operating profit margin of 2.2%. Q3 2012 EBIT margin was 8.9%.

The company still has a solid cash level of USD 8.31m, but operating cash flow was negative.

We are reducing our estimates for 2012 and 2013

Due to the unexpected weak third quarter 2012 we are forced to reduce our fiscal year 2012 estimates. Our new 2012 sales target is now USD 39.03m, which is equal to a sales growth of 10% compared to 2011. Our old estimate was USD 41.26m. On the margin side we are turning less bullish as well. We now calculate with full year 2012 EBIT margins of 6.0% (old 9.0%). Mainly material costs are higher than anticipated as well as Research & Development Costs.

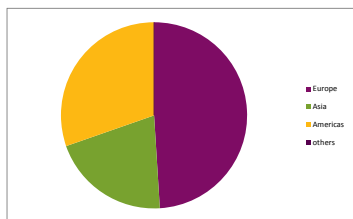
Orad Hi Tec Systems seems to be in talks with quite a few leading media operators in the USA, Europe as well as in Asia. As every year Orad's products have been presented at the IBC 2012 in Amsterdam in September and we expect Orad to sell its products to existing but also new business clients around the globe.

For fiscal year 2013 we currently stick to our sales growth rate of 15% compared to 2012 and now estimate total sales of USD 44.92m (old USD 47.52m). In regards to 2013 profits, we turn more conservative as we believe gross margins and consequently operating profit margins will stay somewhat under pressure compared to former years. Nevertheless we expect a margin expansion compared to 2012 and calculate with a 2013 EBIT margin of 7.0% (old: 9.0%) resulting in an operating profit of USD 3.14m. We believe Orad will stick to its dividend policy in the coming years.

New Price target EUR 3.20 - Recommendation BUY

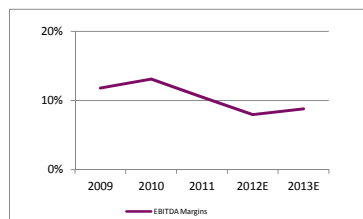
We are reducing our price target from EUR 3.80 to EUR 3.20, mainly due to a lower fair value reached through our peer group analysis. We have used a DCF model and a peer group analysis to come to our price target. Nevertheless the company is still undervalued and we recommend BUYING the stock.

Sales Distribution in 2011



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. One of the biggest competitors is the Belgium EVS.

Financials

Fiscal Year Ending December 31

Profit & Loss	2009	2010	2011	2012E	2013E	Cash Flow Statement	2011	2012E	2013E
in m USD									
Sales	26,87	29,16	35,34	39,03	44,92	Net Income		2,38	3,42
Percentage change in %		9%	21%	10%	15%	Amortisation		0,77	0,81
EBITDA	3,17	3,81	3,71	3,11	3,95	Changes in Working Capital		-1,88	-0,55
in % to Sales	11,8%	13,1%	10,5%	8,0%	8,8%	Cash flow from operative Business	-1,71	1,27	3,68
EBIT	2,39	3,09	3,11	2,34	3,14	Capex	-0,80	-0,92	-0,97
in % to Sales	8,9%	10,6%	8,8%	6,0%	7,0%	Financial Investments	-4,69	-2,00	-1,03
Net Profit	2,16	2,73	3,38	2,38	3,42	Free Cash Flow	-7,20	-1,65	1,68
in % to Sales	8,0%	9,4%	9,6%	6,1%	7,6%				
shares outstanding (in m)	10,82	11,00	11,20	11,29	11,29	Cash beginning of the year	18,91	11,65	10,00
EPS (reported)	0,19	0,25	0,30	0,21	0,30	Cash end of the year	11,65	10,00	11,68
Balance Sheet									
in m USD									
Assets	3,28	3,46	6,43	6,58	6,75	P/E		7,0	9,9
Trade Receivables	4,46	4,88	8,51	10,57	12,17	EV/Sales		0,4	0,3
Inventories	1,91	3,15	3,65	4,68	5,39	P/B		1,3	1,4
Cash	16,95	18,91	11,65	10,00	11,68				
Equities	17,14	18,46	17,75	18,13	20,53	ROE		19,0%	13,1%
Provisions	1,45	1,51	2,12	2,34	2,69	ROIC		13,4%	9,1%
Liabilities	6,00	7,65	7,47	8,12	8,98	Equity Ratio		100%	100%
Deferred Income	2,38	2,99	3,22	3,55	4,09				
						Tax Rate		0%	0%

Orad Hi-Tec, VEM Aktienbank AG

SWOT Analysis

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 constantly acquire new clients/projects
- Regulatory issues with 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
- Commercialisation of IPTV will lead to an increased 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
02.03.2011	EUR 2.65	Buy	EUR 4.10
23.05.2011	EUR 2.41	Buy	EUR 3.80
17.08.2011	EUR 2.34	Buy	EUR 3.80
25.11.2012	EUR 2.36	Buy	EUR 3.80
01.03.2012	EUR 2.53	Buy	EUR 3.80
29.05.2012	EUR 2.33	Buy	EUR 3.80
16.08.2012	EUR 2.41	Buy	EUR 3.80

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

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- 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 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.

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Additional important information:

Date of first publication of this analysis by VEM : November 15, 2012

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.