

Update

Equities - Israel

March 10th, 2015

Rating: **Buy**
Risk: High
Current Price: EUR 3.68
New Price Target: EUR 4.75

Sector: Technology

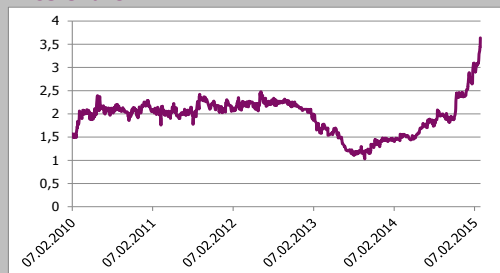
Reuters Code: OHTG.F
Bloomberg Code: OHT GR

Internet Page: www.orad.tv
Fiscal Year Ending: December

Trading Data

Price High/Low 52w: EUR 3.68 - 1.34
Market Capitalisation: EUR 41.3m
Shares Outstanding: 11.24m
Free Float: 37%

Price Chart



Financial Calendar

May 2015 Q1 2015

Date and Time of Prices
March 10, 2015 10:00 (CET)

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



Orad Hi-Tec Systems

Company delivers again

Orad Hi-Tec Systems reported its full year 2014 results and - again - reported very good numbers, mainly on the margin side. 2014 was the most successful year in Orads history. Sales gained by a great 27.3% compared to last year reaching USD 40.5m.

We are very impressed by the fast margin expansion of the company. Fiscal Year 2014 operating profits came it at USD 4.4m (FY 2013: -1.6m), which is equal to a surprisingly strong operating profit margin of 10.8%. We had expected margins in the upper single digit area.

Success could be shown over the full product range, but especially servers and one stop shop solutions did well.

Regionally, the USA were particularly strong, where sales increased by an astonishing 45%. Sales in Europe grew by a still good 24%.

Cash at the end of 2014 was USD 10.4m. One year earlier the company had cash of USD 5.7m. The company will pay a dividend of USD 0.105.

Growth Continuation of in 2015

We absolutely see no reason, why company success should not continue in the coming periods. Orad Hi-Tec is now very well positioned on the product as well as on the marketing and distribution side to continue the growth story. Demand for Orad solutions is currently very high and order books are full. Some distraction might come from Russia, but so far we are still confident.

We expect Video servers, Media Asset Management, PowerWalls and Solutions should lead the demand in the coming years. We believe that Orad Hi-Tec should be able to gain in market share as the company has launched exciting new products with a high competitive edge. Additionally, the product pipeline promises new products, which should support the increasing strength of the company.

Regionally, we believe that all regions should do well but especially believe in the continuation of the growth story in the USA. Asias growth should come back.

For 2015 we are calculating with a conservative sales growth of 12% compared to 2014 resulting in sales of USD 45.38m. For 2016 sales growth might slow down a bit to a still strong 10% reaching USD 49.91m.

Margin improvement happens much faster than anticipated and we are expecting the company to expand its operating margins even more in the coming years. We now calculate with EBIT margins of 11.5% for the coming years. This should result in an operating profit of USD 5.22m. For 2016 we expect an EBIT margin of 12% and an EBIT of USD 6.0m.

Cash-flow should be strong and cash should increase in the coming quarters. This should help the company to acquire any target companies and to increase its dividend.

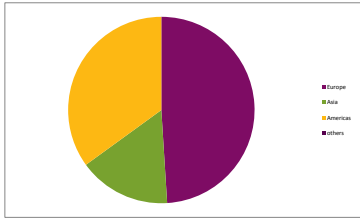
We are raising our price target from EUR 4.00 to EUR 4.75

Orads stock showed a very strong performance in the last 12 months and gained a sensational 142%. We do not see any reason why the over performance should stop.

The company is still a good value and we are once again raising our fair value of Orad Hi-Tec Systems stock from EUR 4.00 to EUR 4.75.

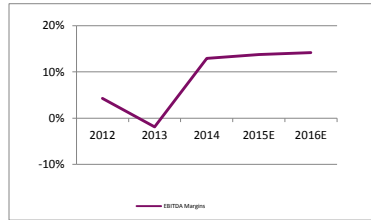
Our BUY recommendation remains and we recommend to invest in this attractive company.

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.
One of the biggest competitors is EVS from Belgium.

Financials

Financial Year Ending December 31

Profit & Loss						Cash Flow Statement			
	2012	2013	2014	2015E	2016E		2014	2015E	2016E
in m USD									
Sales	35,04	31,82	40,52	45,38	49,91	Net Income		5,22	5,99
Percentage change in %		-9%	27%	12%	10%	Amortisation		1,02	1,07
EBITDA	1,50	-0,59	5,25	6,24	7,06	Changes in Working Capital		0,86	-0,03
in % to Sales	4,3%	-1,9%	13,0%	13,8%	14,2%	Cash flow from operative Business	5,07	7,10	7,03
EBIT	0,73	-1,60	4,36	5,22	5,99	Capex	-0,56	-1,23	-1,29
in % to Sales	2,1%	-5,0%	10,8%	11,5%	12,0%	Financial Investments	0,15	-0,57	-1,80
Net Profit	1,24	-1,93	3,36	5,22	5,99	Free Cash Flow	4,65	5,31	3,95
in % to Sales	3,5%	-6,1%	8,3%	11,5%	12,0%				
shares outstanding (in m)	11,29	11,29	11,29	11,29	11,29	Cash beginning of the year	5,74	10,39	15,70
EPS (reported)	0,11	-0,17	0,30	0,46	0,53	Cash end of the year	10,39	15,70	19,64
Balance Sheet						Key Figures			
	2012	2013	2014	2015E	2016E		2015E	2016E	
in m USD									
Assets	5,70	5,67	5,45	5,65	5,87	P/E	8,2	7,2	
Trade Receivables	9,90	10,18	10,51	11,16	12,21	EV/Sales	0,69	0,63	
Inventories	3,61	3,55	3,87	4,54	4,99	P/B	2,6	2,0	
Cash	7,09	5,74	10,39	15,70	19,64				
Equities	15,45	13,62	17,19	21,84	26,03	ROE	23,9%	23,0%	
Provisions	2,12	0,90	0,96	0,44	0,49	ROIC	15,6%	15,5%	
Liabilities	8,42	8,79	9,73	11,51	12,62	Equity Ratio	100%	100%	
Deferred Income	1,57	1,80	2,89	3,23	3,56				
						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; HD TV) forces TV companies to invest in innovative products
- Own research department is searching for new applications and new products
- Commercialization 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)
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
15.11.2012	EUR 2.17	Buy	EUR 3.20
20.02.2013	EUR 1.65	Buy	EUR 2.50
21.05.2013	EUR 1.66	Buy	EUR 2.20
04.09.2013	EUR 1.02	Buy	EUR 1.72
13.11.2013	EUR 1.44	Buy	EUR 1.72
13.03.2014	EUR 1.6	Buy	EUR 2.30
15.07.2014	EUR 1.84	Buy	EUR 2.30
06.08.2014	EUR 1.80	Buy	EUR 3.00
14.11.2014	EUR 2.30	Buy	EUR 4.00

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Company	Disclosure
ORAD Hi-Tec Systems	11-12

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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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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 10, 2015
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.