

# Update

## Equities - Israel

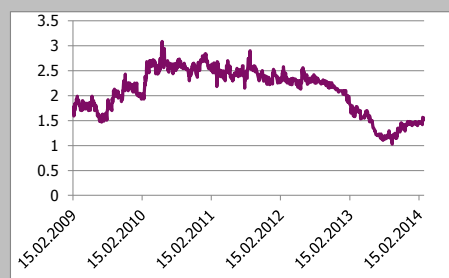
March 13th, 2014

Rating:	<b>Buy</b>
Risk:	High
Current Price:	EUR 1.55
NEW Price Target:	EUR 2.30
Old Price Target:	EUR 1.72
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 1.75 - 1.00
Market Capitalisation:	EUR 18.2m
Shares Outstanding:	11.75m
Free Float:	37%

### Price Graph



### Financial Calendar

May 2014 Release of Q1 2014

**Date and Time of Prices**  
**March 13, 2014 10:00 (CET)**

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



## Orad Hi-Tec Systems

### Q4 2013 - Confirmation of Positive Trend

No doubt, Orad's business in the first half of 2013 was very weak. But times have changed and the company is now again back in the business. As already in Q3 2013, Orad was again able to generate strong sales in Q4 2013. Compared to Q4 2012, sales grew by a very good 21.9% to USD 8.7m. Consequently, total 2013 sales were USD 31.8m (-9.2% compared to 2012). Responsible for the positive development in the second half of 2013 were very strong orders of video servers (in Q4 2013 the company was able to sell 30 units) and a substantial sales increase in complete solutions, meaning the integration of graphics, video and MAM. We find this a very positive trend. Additionally, the company was able to raise its gross margins back to historic good values. Q4 2013 gross margins were at a very satisfying 68.6% compared to 62.5% in Q4 2012. Although net profits were with USD 0.2m still low in Q4 2013, the trend is very promising. Total 2013 net profit was with USD -1.93m still negative.

### 2014 should be strong in sales - Margins should improve

After talks with the management and the confirmation that order books are full and costs are increasingly under control, we are confident that sales in fiscal year 2014 should be strong and margins should improve. The company has hired promising new staff in North America as well as in Europe. This should support the future sales development. On the product side the company is well positioned and we believe that especially video servers as well as solutions will do very well not just in 2014 but as well in fiscal year 2015. Consequently, we are raising our very conservative sales estimates for 2014 (we were estimating USD 31.15m). We are now expecting total 2014 sales of USD 35.64m, which is a plus of 12% compared to 2013. For 2015 we are confident as well and estimate sales of USD 40.98m, representing a plus of 15% compared to 2013.

On the profit side we are more positive. Restructuring efforts seem to kick in slightly stronger than expected and strong sales trends should have a positive effect on the future margins development. For 2014 we calculate with an operating profit of USD 1.43m, which is equal to an EBIT margin of 4%. For a technology company those margins are still low, but again we want to put emphasis on the positive trend.

Due to the generated losses in 2013 the company is not paying any dividends and the management did not promise any dividend payments for this fiscal year. In case there are interesting take-over targets, it seems that they are rather investing the money in acquisitions than delivering it to shareholders. We are in favour of that strategy.

### New Price target EUR 2.30

Due to the better outlook we are raising our target price from EUR 1.72 to EUR 2.30.

Our BUY recommendation remains.



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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)
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
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

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

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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.

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- 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: March 13th 2014

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.