

Update

Equities - Israel

June 13th, 2014

Rating: **Buy**
Risk: High
Current Price: EUR 1.65
Price Target: EUR 2.30

Sector: Technology

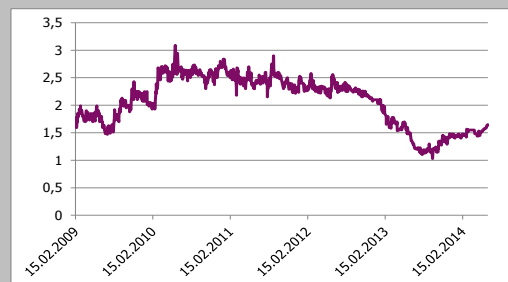
Reuters Code: OHTG.F
Bloomberg Code: OHT GR

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

Trading Data

Price High/Low 52w: EUR 1.74 - 1.00
Market Capitalisation: EUR 19.97m
Shares Outstanding: 11.75m
Free Float: 37%

Price Graph



Financial Calendar

August 2014 Release of H1 2014

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

Dipl. Volkswirt Raimund Saier, CEFA, Analyst
VEM Aktienbank AG
089 30903 4881
r.saier@vem-aktienbank.de

Please take a note of the Disclaimer and other Information on Page 4



Orad Hi-Tec Systems

Q1 2014 - Orad is BACK

The return of Orad continues. Q1 2014 results were again very convincing. Revenues increased by 30% to USD 9.3m compared to Q1 2013, a very good number. Success was achieved over all product lines, but especially strong were server and media asset management products. Europe was particularly strong on a regional level. Similarly important is the fact that again bookings were reaching record levels.

Profits are still improving as well. Gross profit margins have reached levels of 67.8% (Q1 2013: 64.6%). Q1 2014 net profit was USD 0.7m after a loss in the comparable quarter last year.

Cash at the end of March 2014 was at a good USD 6.4m.

Overall, Q1 2014 was a very promising quarter and proved that the company has overcome its crisis.

NDR launches "Tagesschau" with Orad Technology

This April the German most prestigious news show "Tagesschau" aired from a new studio using an Orad technology. For presentation purposes a 17 meters long screen was installed, which has unique features and combines optimally several Orad solutions. The purchased Orad system has to be 100% reliable as the NDR is showing news on a 24/7 basis.

By winning the prestigious NDR as a media client, the company once again proved its competitive edge and ability to deliver unique and reliable products and to win a public bid. The order had a size of around USD 2m and should help to gain additional new customers, as the NDR corporation can definitely be seen as a flagship project.

We got the chance to see the impressive screen live in Hamburg (please see pictures on page 2) and to talk additionally to some NDR project managers. They were all very happy with the Orad solution and the collaboration with the management, which we find crucial as a reference for new orders.

2014: strong sales and margins improvement

The combination of new exciting products (the company got very good attendance at the NAB, the most important and largest fair for Orad) and new staff in North America as well as in Europe should support the future sales development. Video servers as well as solutions should do very well in particular in the coming years.

We are once again raising our 2014 sales growth expectation slightly to 15% compared to last year to USD 36,59m (old: +12%). For 2015 we are confident as well and estimate sales of USD 42.08m, representing a plus of 15% compared to 2014.

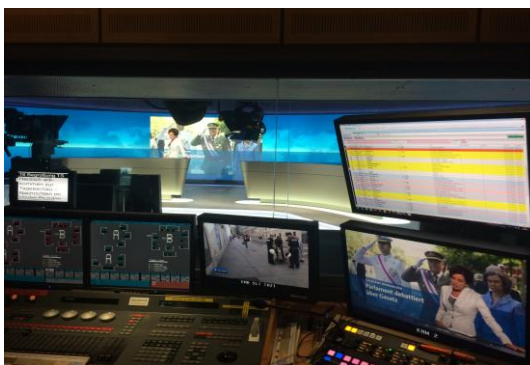
On the profit side we are still positive. Margins are still going to be weaker than during best times but the trend is positive, what we like.

Restructuring efforts seem work and strong sales trends should have a positive effect on the future margins development. For 2014 we calculate with an operating profit of USD 1.83m, which is equal to an EBIT margin of 5%. For 2015 EBIT margins should increase to 8%, which is still low for a technology company but again we want to put emphasis on the positive trend.

Price target EUR 2.30

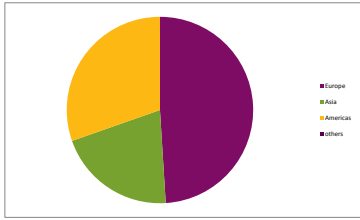
Our price target stays EUR 2.30.

Our BUY recommendation remains.



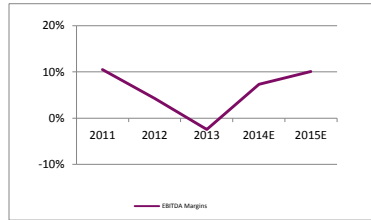
Photos: Raimund Saier

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 competitors is the Belgium EVS.

Financials

Financial Year Ending December 31

Profit & Loss						Cash Flow Statement		
	2011	2012	2013	2014E	2015E	2013	2014E	2015E
in m USD								
Sales	35,34	35,04	31,82	36,59	42,08		1,83	3,37
Percentage change in %		-1%	-9%	15%	15%		0,85	0,89
EBITDA	3,71	1,50	-0,79	2,68	4,26		-0,70	-0,82
in % to Sales	10,5%	4,3%	-2,5%	7,3%	10,1%		-0,87	1,97
								3,43
EBIT	3,11	0,73	-1,60	1,83	3,37	Capex	-0,49	-1,02
in % to Sales	8,8%	2,1%	-5,0%	5,0%	8,0%	Financial Investments	0,00	-0,55
Net Profit	3,38	1,24	-1,93	1,83	3,37	Free Cash Flow	-1,36	0,41
in % to Sales	9,6%	3,5%	-6,1%	5,0%	8,0%			-0,01
shares outstanding (in m)	11,20	11,29	11,29	11,29	11,29	Cash beginning of the year	7,09	5,74
EPS (reported)	0,30	0,11	-0,17	0,16	0,30	Cash end of the year	5,74	6,15
								6,13
Balance Sheet						Key Figures		
	2011	2012	2013	2014E	2015E	2014E	2015E	
in m USD								
Assets	6,43	5,70	5,67	5,23	5,40	P/E	9,8	
Trade Receivables	8,51	9,90	10,18	10,25	11,79	EV/Sales	0,3	
Inventories	3,65	3,61	3,55	5,49	5,47	P/B	1,4	
Cash	11,65	7,09	5,74	6,15	6,13		1,3	
Equities	17,75	15,45	13,62	14,29	15,28	ROE	12,8%	
Provisions	2,12	0,90	0,96	1,11	1,27	ROIC	7,5%	
Liabilities	7,47	8,42	8,79	9,96	11,18	Equity Ratio	100%	
Deferred Income	3,22	1,57	1,80	2,07	2,38		100%	
						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
- 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)
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
13.03.2014	EUR 1.6	Buy	EUR 2.30

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:

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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.
- 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.
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Authors of this financial analysis: Raimund Saier, Diplom Volkswirt, CEFA, M.A.

Company responsible for the preparation and communication of this financial analysis: VEM Aktienbank AG, Prannerstr. 8, 80333 Munich („VEM“)

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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: June 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.