

Update

Equities - Israel

November 14th, 2014

Rating:	Buy
Risk:	High
Current Price:	EUR 2.30
New Price Target:	EUR 4.00
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 2.30 - 1.21
Market Capitalisation:	EUR 26m
Shares Outstanding:	11.75m
Free Float:	37%

Price Chart



Financial Calendar

March 2015	FY1 2014
May 2015	Q1 2015

Date and Time of Prices

November 14, 2014 10:00 (CET)

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



Orad Hi-Tec Systems

Orad ready for TAKE OFF

We like! Orad Hi-Tec Systems reported very good Q3 2014 results. Sales reached USD 10.5m - a quarterly record. Results were 20% higher than sales in the comparable quarter last year. Operating profit could even be tripled compared to Q3 2013 and came in at USD 1.2m, representing an EBIT margin of 11,4%. We find the results outstanding. The company has increased its guidance.

Success was achieved across all regions. Particularly Europe was strong, where the company could generate substantial orders at the IBC conference in Amsterdam in September. Additionally, the restructured distribution activities in the USA showed first positive results.

Confident for 2014 and 2015

Demand for Orad solutions is currently very high and order books are full. Just recently, the company has announced a new order for its Play Maker product from a South American TV station in the size of USD 660t. A major Asian broadcaster has purchased Orad's virtual studio product for USD 400t and so on. Orders come in from around the world.

We expect Video servers, Media Asset Management, PowerWalls and Solutions should lead the demand in the coming years.

Consequently, we are again raising our sales and earnings expectations for the fiscal years 2014 and 2015. For 2014 we are now expecting sales of USD 41.0m (formerly USD 39.8m), which represents a growth of 29% compared to last year. For 2015 we believe in a continuation of the high product demand and calculate now with sales of USD 49.3m, equal to a plus of 20% compared to 2014.

Margin improvement happened much faster than calculated and we are now expecting the company to achieve an operating profit margin of 9.5% in 2014, which is equal to an EBIT of USD 3.9m. For 2015 we are quite confident that Orad Hi-Tec Systems will be able to reach a double digit EBIT margin and therefore expect a 2015 EBIT of USD 5.4m, which is equal to a very promising operating profit margin of 11%.

We are raising our price target from EUR 3.00 to EUR 4.00

Since January 2014 Orad's stock had a great performance gaining 64% from EUR 1.40 to EUR 2.30. We still think the stock is dramatically undervalued.

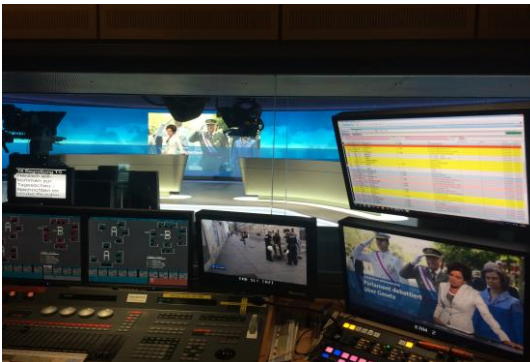
A couple of days ago one of the biggest competitors of Orad - VIZRT - got taken over by the Norwegian private equity company Nordic Capital. The company agreed to pay USD 370m. This is 2.5 times 2014 VIZRT sales and 13 times 2014 VIZRT EBIT.

Orad's stock currently trades at 0.5 times 2014 sales and 7 times 2014 EBIT; a clear proof how undervalued this stock is.

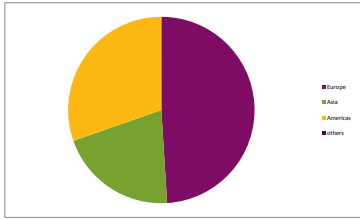
We are once again raising our fair value of Orad Hi-Tec Systems stock from EUR 3.00 to EUR 4.00.

Our BUY recommendation remains.

Impressions: Tageschau Studio Hamburg with Video Wall provided by Orad-Hi-Tec Systems

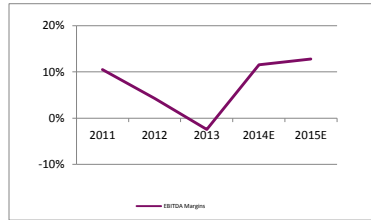


Sales Distribution



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 the Belgium EVS.

Financials

Fiscal 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	41,05	49,26		3,90	5,42	
Percentage change in %		-1%	-9%	29%	20%		0,85	0,89	
EBITDA	3,71	1,50	-0,79	4,75	6,31		0,92	-0,76	
in % to Sales	10,5%	4,3%	-2,5%	11,6%	12,8%		-0,87	5,55	
EBIT	3,11	0,73	-1,60	3,90	5,42	Capex	-0,49	-1,02	-1,07
in % to Sales	8,8%	2,1%	-5,0%	9,5%	11,0%	Financial Investments	0,00	-1,17	0,37
Net Profit	3,38	1,24	-1,93	3,90	5,42	Free Cash Flow	-1,36	3,48	4,85
in % to Sales	9,6%	3,5%	-6,1%	9,5%	11,0%				
shares outstanding (in m)	11,20	11,29	11,29	11,29	11,29	Cash beginning of the year	7,09	5,74	9,21
EPS (reported)	0,30	0,11	-0,17	0,35	0,48	Cash end of the year	5,74	9,21	14,07
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		6,4	
Trade Receivables	8,51	9,90	10,18	10,12	11,98	EV/Sales		0,43	
Inventories	3,65	3,61	3,55	4,10	4,93	P/B		1,9	
Cash	11,65	7,09	5,74	9,21	14,07				
Equities	17,75	15,45	13,62	15,74	21,53	ROE		24,8%	
Provisions	2,12	0,90	0,96	1,24	1,49	ROIC		15,3%	
Liabilities	7,47	8,42	8,79	9,67	10,87	Equity Ratio		100%	
Deferred Income	3,22	1,57	1,80	2,32	2,78				
						Tax Rate		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)
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

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Company
ORAD High-Tec Systems

Disclosure
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- The persons and/or enterprises mentioned above have, within the past 12 month, been party to an agreement on provision of investment banking services with the issuer that is, or whose financial instruments are, the subject of this financial analysis, or have received services or a promise to perform under the terms of such an agreement during the same period.
- 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.
- 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.
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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.

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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: November 14, 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.