



OxySure Systems, Inc.
(OTCQB: OXYS, Target Price: \$1.27)

OxySure provides short duration / emergency medical oxygen and respiratory solutions for mass market use. Using patented technology that combines two dry, inert powders to create medical oxygen, the company manufactures and markets the OxySure Model 615, a portable emergency oxygen system that has been approved by the FDA for sale over the counter without a prescription.

OxySure Announces Merger with Estill Medical Technologies

On October 22, 2014, OXYS announced the signing of a definitive merger agreement with privately-held Estill Medical Technologies, a Texas-based developer and marketer of the FDA-cleared “Thermal Angel Blood and IV Fluid Infusion Warmer”. The transaction was treated as a reverse subsidiary merger and involved agreements among OXYS, OSI Acquisition, Inc., (“a Merger Sub”), Estill Medical Technologies, Inc. and its shareholders, and James T. Lopez, as agent and attorney-in-fact for the security holders. Pursuant to the completion of the transaction, Merger Sub will be merged with and into Estill (the “Merger”), with Estill surviving as a wholly owned subsidiary of OXYS. The Merger Agreement has been adopted and approved by the Boards of both OXYS and Estill and is subject to Estill Shareholder Approval. All due diligence has been completed, including the required financial audit of Estill by a PCAOB auditor. Further, all definitive agreements have been signed, including employment and escrow agreements. We note that one of the benefits of reverse subsidiary merger is that the transaction is not subject to approval by the stockholders of OXYS. The combined entity, OxySure Systems Inc., will continue to trade under the symbol “OXYS” on OTCQB.

Combined entity to generate \$10mn in annual sales

The merger creates an emerging medical device company with strong roots in the emergency medical space. The companies’ patented and life-saving technologies products are complementary, addressing critical needs in both first-responder and pre-responder markets, as well as the military. The combined company plans to be a platform company for additional product and market expansion, and this transaction is the first step towards achieving that goal.

The combined entity creates a shared and leveraged business platform, optimizing product development capabilities and sales and marketing networks. The combined entity is expected to generate initial annual revenues in excess of \$10mn with ~\$2-3mn annually in combined synergies, resulting in improved cash flows and stronger balance sheet. Post merger, the addressable market for OXYS will be close to \$1 billion annually (\$400mn for OxySure Model 615 oxygen system and \$600mn for Thermal Angel), with ~50% of this market opportunity in the U.S. alone. We believe the merger is expected to result in synergies and growth opportunities, resulting in substantial long-term cost savings and long-term value for shareholders. The transaction also moves OxySure closer to its stated goal of uplisting the company to NASDAQ.

Maintaining price target of \$1.27

We are maintaining our price target of \$1.27 for now and will closely follow the stock to determine whether to increase the target price upon consummation of the merger. We believe the transaction positions OXYS to deliver sustained revenue growth and long-term margin improvement, along with significant upside potential in earnings and operating cash flows.

Stock Details (10/24/14)

OTCQB:	OXYS
Sector / Industry	Healthcare / Medical Equipment
Price target	\$1.27
Recent share price	\$0.63
Shares o/s (mn)	26.1
Market cap (in \$mn)	16.6
52-week high/low	\$ 0.90 / 0.51

Source: Bloomberg, SeeThruEquity Research

Key Financial (\$mn, unless specified)

	FY12	FY13	FY14E
Revenues	0.3	1.80	3.4
EBITDA	(1.0)	(0.4)	0.2
EBIT	(1.1)	(0.5)	0.0
Net Income	(1.1)	(0.7)	(0.7)
EPS (\$)	(0.06)	(0.03)	(0.03)

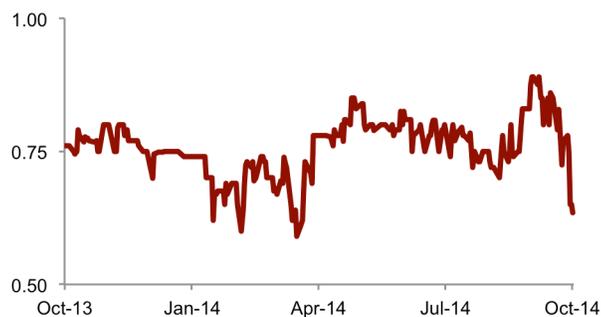
Source: SeeThruEquity Research

Key Ratios

	FY12	FY13	FY14E
Gross margin (%)	46.8	72.8	74.0
Operating Margin (%)	(420.9)	(27.1)	0.9
EBITDA margin (%)	(359.5)	(24.2)	5.0
Net margin (%)	(423.4)	(39.6)	(21.0)
P/Revenue (x)	55.2	9.21	4.87
EV/EBITDA (x)	(16.5)	(41.3)	82.6
EV/Revenue (x)	55.1	9.18	4.86

Source: SeeThruEquity Research

Share Price Performance (\$, LTM)



Source: Bloomberg

Detailed analysis and elements of merger:

On October 21, 2014, OxySure Systems (OXYS), a Delaware corporation, entered into an agreement and plan of merger, by and among OXYS, OSI Acquisition, a Texas corporation, and Estill Medical Technologies, Inc., a Texas corporation. Pursuant to the merger, OSI Acquisition will be merged with and into Estill with Estill surviving as a wholly owned subsidiary of OxySure Systems.

The Combined Company: OxySure Systems Inc. will continue to trade under the symbol OXYS on QTCQB. The merger has been approved by the board of directors of both companies (OXYS and Estill) and is subject to the approval of the shareholders of Estill. This merger will not require the approval of the shareholders of OxySure as this is being done as a reverse subsidiary merger.

Elements of Purchase:

Restricted Common Stock: OxySure will pay the shareholders of Estill Medical 12.5mn shares of restricted common stock, with 12 month of lock-up provision. Considering the current share price (\$0.63) of OXYS, the transaction is valued at approximately 7.9mn (12.5*\$0.63).

Warrants and Options: Estill shareholders will also receive warrants to purchase an additional 2,500,000 shares of Common Stock at an exercise price of \$1.20 per share. We note that OXYS is currently trading at \$0.63, well below the exercise price.

At the effective time of the Merger, all the outstanding Estill stock options will be assumed by OXYS and will be converted into options to purchase shares of Common stock on substantially the same terms and conditions as were applicable to such Estill stock options. Appropriate adjustments, if necessary will be based upon the exchange ratio to the exercise price and the number of shares of Common Stock of OXYS subject to particular stock option.

Capital markets promote provision: In the case of the Company's average share price during the fourteen (14) day period beginning with the first day after the date on which the closing of the Merger occurs is greater than the Company's average share price during the fourteen (14) day period ending on the day immediately prior to the date of the Merger Agreement, OxySure will issue additional shares of common stock (promotional shares) to the owners of Estill.

About Estill Medical Technologies Inc

Estill Medical Technologies, Inc. is a Dallas, Texas-based privately-held company that develops and markets "Thermal Angel Blood and IV Fluid Infusion Warmer", a patented medical device that is being used by U.S. hospitals and military and emergency responders around the globe to lessen the effects of fluid-induced hypothermia. The company has been recognized by various business journals - "100 Fastest Growing Companies" of Dallas in 2007; as a Medical Product Innovator by the Dallas Business Journal in 2007; and as "Dallas 100" for fastest growing company. Led by Jay Lopez (Chief Operating Officer), Estill has been experiencing unprecedented growth since the launch of Thermal Angel in 2001.

Thermal Angel Blood and IV Fluid Infusion Warmer: The Thermal Angel is an in-line, battery-powered, disposable, and portable blood and IV fluid warming device being used by U.S. hospitals and military and emergency responders around the globe. The device is patent protected and bagged "Outstanding Military Product of the Year," award by the Institute for Defense and Government Advancement (IDGA) in June 2010.

Maintaining price target of \$1.27

We are maintaining our price target of \$1.27 for now and expect to review the same as and when the merger is complete. We believe the transaction positions OXYS to deliver sustained revenue growth and long-term margin improvement, along with significant upside potential in earnings and operating cash flows.

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