

OxySure Systems, Inc.

(OXYS-OTCQB)

OXYS: Continues To Move Ahead With Increased Distribution & New Add-On Product

UPDATE

On July 7, 2015, OxySure Systems (OXYS) announced that it closed a \$3 million institutional financing transaction. In other news, OxySure recently reported adding drones to the company's existing product portfolio in addition to being involved with the 2015 Special Olympics World Games set to take place in LA at the end of the summer.

We continue to believe that the business has meaningful potential for growth in the United States. Additionally, outside the U.S., we are pleased to see the company expanding its footprint in signing up exclusive distribution partners to target both emerging and established markets. We continue to see the shares as attractively valued and we are maintaining our target at \$1.75.

Current Recommendation	Buy
Prior Recommendation	N/A
Date of Last Change	01/14/2013
Current Price (07/07/15)	\$0.46
Target Price	\$1.75

SUMMARY DATA

52-Week High	\$1.20
52-Week Low	\$0.08
One-Year Return (%)	-35.69
Beta	0.62
Average Daily Volume (sh)	86,441

Shares Outstanding (mil)	30
Market Capitalization (\$mil)	\$19
Short Interest Ratio (days)	N/A
Institutional Ownership (%)	4
Insider Ownership (%)	12

Annual Cash Dividend	\$0.00
Dividend Yield (%)	0.00

5-Yr. Historical Growth Rates	
Sales (%)	N/A
Earnings Per Share (%)	N/A
Dividend (%)	N/A

P/E using TTM EPS	N/A
P/E using 2015 Estimate	N/A
P/E using 2016 Estimate	N/A

Risk Level	Moderate
Type of Stock	N/A
Industry	Med Instruments

ZACKS ESTIMATES

Revenue

(in millions of \$)

	Q1	Q2	Q3	Q4	Year
	(Mar)	(Jun)	(Sep)	(Dec)	(Dec)
2013	0.24 A	0.48 A	0.55 A	0.54 A	1.80 A
2014	0.36 A	0.68 A	0.82 A	0.58 A	2.44 A
2015	0.62 A	0.80 E	1.00 E	1.50 E	3.92 E
2016					5.50 E

Earnings per Share

(EPS is operating earnings before non recurring items)

	Q1	Q2	Q3	Q4	Year
	(Mar)	(Jun)	(Sep)	(Dec)	(Dec)
2013	-\$0.01 A	-\$0.01 A	-\$0.00 A	-\$0.01 A	-\$0.03 A
2014	-\$0.01 A	-\$0.01 A	-\$0.02 A	-\$0.06 A	-\$0.10 A
2015	-\$0.05 A	-\$0.03 E	-\$0.03 E	-\$0.02 E	-\$0.13 E
2016					-\$0.09 E

WHAT'S NEW

OxySure Financial & Business Update

On July 7, 2015, OxySure Systems (OXYS) [announced](#) that it closed a \$3 million institutional financing transaction. OxySure sold \$2.7 million in convertible preferred stock and \$300,000 in two convertible notes, totaling \$3 million. OxySure received net proceeds comprising a first tranche of \$1 million in part from the issuance of 385,000 shares of newly created Series C convertible preferred stock with a stated value of \$2.00 per share in cash at the closing on June 30, 2015. The Series C Preferred pays a 6% quarterly dividend in cash or common stock at the OxySure's option, and has a trading volume restriction of 10% of OxySure's weekly trading volume. The proceeds from the first tranche will be used to pay down existing convertible notes, for uplisting expenses, and for working capital.

A second tranche, comprised of the remaining \$2 million (issued as 1.05 million shares of newly created series D convertible preferred stock) will be placed in an escrow account to be released to OxySure upon an uplisting to a national exchange such as NasdaqCM or NYSEMKT. The Series D Preferred has a stated value of \$2.00 per share, and pays a 6% dividend in cash or common stock at OxySure's option, and has a conversion price which is the higher of: (1) a floor price of \$0.49; or (2) the amount that is a 20% discount to the then current market price of OxySure's common stock at the time of conversion.

Management stated that the financing will allow for OxySure to continue to pursue growth goals for 2015 which include sales force expansion, expansion abroad, preparation of direct to consumer campaign, launching of one or more products, and completing an Uplisting.

...Recent OxySure Headlines...

As per our last update, we were awaiting two announcements regarding a new add-on product as well as the company's participation in a "major global act." We are happy to report that on June 24, 2015, OxySure was [named as a Champion Partner of the Special Olympics World Games](#), set to take place July 25 to August 2, 2015 in Los Angeles, CA. During the 9 days of competition, OxySure will provide medical support in the event of any possible medical emergencies. [The 2015 Special Olympics World Games](#) will involve approximately 7,000 athletes and 3,000 coaches from over 170 countries, in addition to an estimated 500,000 attendees. Additionally, OxySure will serve as the supplier of emergency oxygen, Automated External Defibrillators (AEDs), OxySure Model 615 units, OxySure Pulse Oximeters, OxySure Thermal Bags, and other medical emergency equipment, supplies and services to sports medicine physicians, nurses, EMTs, overnight nursing staff, and athletic trainers across the 27 sports venues, fields of play, and spectator first aid tents during the World Games. OxySure's global spokesperson, two-time Olympian Cliff Meidl, will provide media interviews and presentations during the World Games. ESPN will provide coverage of the Games, and we believe that this will be a great opportunity for exposure for the company. We also believe OxySure's involvement shows the company's commitment to health and the community.

In other news, on June 2, 2015, OxySure [announced plans to add drones](#) to its existing emergency medical, resuscitation and trauma portfolio for first responder markets. As per OxySure's petition to the Department of Transportation for exemption from the Federal Aviation Regulations (FAA) pursuant to Section 333 of the FAA Modernization and Reform Act of 2012, the drones will be "utilized in aerial operations in support of emergency response and services, disaster response and recovery, search and rescue, and humanitarian relief efforts." We would like to point out that OxySure has also filed a provisional U.S. patent entitled "System for Enhancing Emergency Response by using Unmanned Aircraft Systems."

The drones are expected to be able to carry kits that are specifically designed for different emergency and disaster situations. For example, the kits could include Automated External Defibrillators (AEDs) and accessories for cardiac arrest emergencies, fire, floods, first aid, dehydration, hypothermia, respiratory distress, and chemical spills. The drones are expected to have a number of different features and equipment including digital live streaming capability, control stations, data links, telemetry, autopilot system, GPS navigation, systematic pre-flight checks, failover safety mechanisms such as return-to-home (RTH), auto-land, loiter and flight abort safety features. The goal is for first responders to receive the appropriate training before placing their equipment into service.

The idea is that drones can access emergency situations faster, and thus can respond faster to a crisis situation. In medical emergencies and disaster situations, every second matters, and thus unmanned drones have the potential to respond earlier and in turn, outcomes maybe improved. Through the live digital streaming capability, important pieces of information can be gathered, such as the extent of damage and hazardous conditions. If the drone concept takes off, we believe that this should improve how emergency and disaster situations are addressed, allowing for expedited medical attention even before the arrival of a first responder.

...Distribution Expansion Continues...

Recently, OxySure has exhibited its products at several key tradeshows, and plans to exhibit its products at several other tradeshows throughout 2015 including the National Association of School Nurses (NASN) in Philadelphia in June and the International Medical Trade Fair & Conference (FIME) in Miami in August. As per management, OxySure continues to secure marquee customers in various industries, such as Dolese; Lee Lewis Construction and Chatham Worth in the construction industry; Spectrum Resource in the agriculture industry; and Intercontinental Hong Kong in the hospitality industry.

OxySure has also made a significant effort over the past several months to expand its U.S. distribution footprint. We believe this is paramount to driving sales of the Model 615 in the coming years. After all, municipalities, office buildings, shopping centers, hospitals, or schools cannot buy the Model 615 device if they do not know about it! In this regard, we are very pleased to see the company adding both territory sales managers and inking new distribution agreements.

In terms of new personnel, the company [appointed Clark Hood](#) in September 2014 to position of Vice President, Resuscitation Sales Worldwide. Mr. Hood has over 25 years of experience in healthcare, medical devices and emergency medical equipment, and specifically in sales and sales management. Prior to joining OxySure, Mr. Hood spent over 16 years with Cardiac Science, a global medical device manufacturer of automated external defibrillation (AED) products and management services in over 100 countries. In December 2014, OxySure signed an exclusive [contract with Cliff Meidl](#), a two-time U.S. Olympian and prolific speaker and passionate advocate for safety, CPR, emergency preparedness, and leadership topics in the safety industry. Mr. Meidl will become a spokesperson for the Model 615 device and help market and promote the product throughout his various endeavors in 2015, which in the past included appearances on Oprah and NBC's "Today Show", as well as at various medical conferences including the American Heart Association annual meeting.

The company has also made several new staff additions to the U.S. sales force over the last several months, including hiring new territory sales managers in Philadelphia, PA, Minneapolis, MN, San Antonio, TX, Chicago, IL, Phoenix, AZ, Atlanta, GA, Pittsburg, PA, Michigan, Colorado, and the Dallas-Fort Worth, TX region. The new reps are coming in with significant commercial sales experience in the emergency medicine and/or the healthcare industry. We are anticipating a significant ramp in direct sales by the company in 2015 thanks to the expanded promotion effort. The company's goal is to have 30 full-time and/or independent representatives in place by the end of 2015, and we believe that the company currently has at least six in place.

OxySure currently is looking at over a dozen potential cities and major metropolitan areas to join the company, and these include cities in Florida, California, Missouri, as well as other areas in Texas, and along the East Coast. The most recent class of territory managers completed training in April 2015 and should start contributing to second quarter sales. The next class of reps was scheduled for early June 2015 training. We think it is realistic that each of these representatives can generate up to \$500,000 in revenues for the company per annum, but we don't expect these reps to be at that run rate immediately, instead it will take at least 3 to 6 months to ramp up to this, and the \$500,000 per annum will be achieved over time. OxySure has also implemented a new customer relationship management (CRM) software platform for its sales team to utilize.

Besides hiring internal sales representatives and territory managers, OxySure is inking new distribution agreements all over the U.S. In December 2014, the company signed a distribution [agreement with Cardiac Life](#), a Rochester, NY distributor of AEDs. Management at OxySure believes that Cardiac Life gives the company strong representation in the northeast. By adding OxySure to its product portfolio, Cardiac Life can now offer a unique and proprietary resuscitation product to their existing and new customers. In January 2015, the company inked a deal with [Cardio Partner Resources](#), an Illinois-based distributor of AED's and other medical devices throughout the Midwest.

The company signed two more distribution agreements in February 2015. The first was with [Chris Gardner and Associates](#), a Connecticut-based authorized distributor of automated external defibrillators (AEDs) for companies such as Cardiac Science, HeartSine, Philips Medical, Physio-Control, and Zoll. The company is headed up by Chris Gardner, a former EMT and EMS Instructor and American Heart Association BLS (Basic Life Support) Instructor. OxySure's Model 615 will fit in nicely with the company's current suite of AED products and gives OxySure its first distribution agreement for the Northeast. Later in February, OxySure signed an agreement with [Stop Heart Attack](#), an Alabama-based distributor of AEDs and other emergency response products. The deal gives OxySure its first key distribution agreement for the Southeast.

In March 2015, OxySure signed its first distribution agreement in California, with Menlo Park-based [Health Education Services](#). Health Education Services (HES), founded in 1979, focuses on turn-key implementation of Philips automated external defibrillator (AED) programs as well improving safety, health, and quality of life by providing services, classes, and consulting for medical practitioners as well as the general community. Founder & Managing Partner, Julianne Brawner, brings over 18 years of AED experience to the table.

Oxysure signed a distribution agreement with [New Jersey Team Life](#) in April 2015, which has three locations throughout the state. OxySure's Model 615 is a great compliment to Team Life's existing AED installed base. TEAM LIFE has emergency health and safety training experience in the United States as well throughout the world, and offers hundreds of training courses per year. The TEAM LIFE sales division distributes CARDIAC SCIENCE brand AEDs, first aid kits, emergency medical equipment, and teaching supplies for CPR classes. Jim Schatzle, Founder & President, has over 30 years of experience in the Emergency Medical Services as an EMT, Firefighter, and Paramedic.

On June 15, 2015, OxySure announced the signing of a distribution agreement with [Z-Medica, LLC](#), a developer of hemostatic devices like QuikClot Combat Gauze® that stop bleeding wherever it occurs, especially in emergency situations, such as on the battlefield. Management believes that such bleeding control devices are a natural fit to the current Model 615 and AED portfolio, and allow for expansion of its critical life-saving emergency response products in the first responder, school, and public access markets.

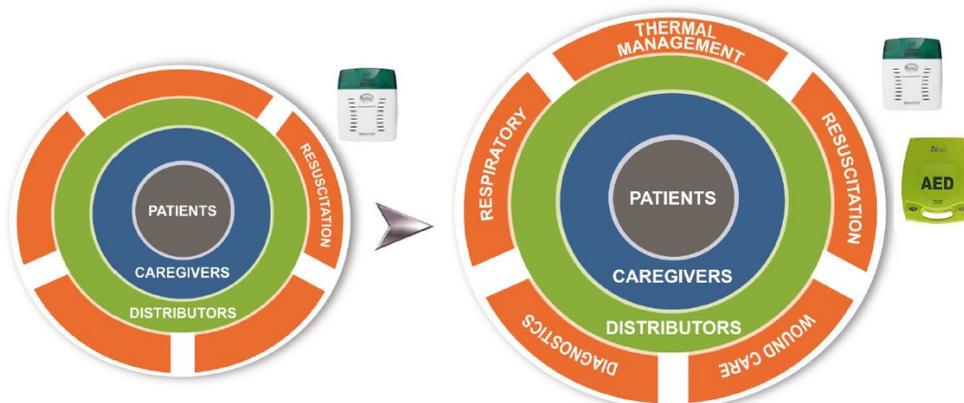
International expansion remains a primary focus for OxySure. For instance, in the U.S., an individual suffering a medical emergency can generally expect first responders to arrive within 5-15 minutes of the initial call for help. However, in some areas overseas, it may take upwards of 45 minutes to 1 hour before first responders are able to arrive due to insufficient infrastructure or poor traffic conditions. Thus, the value proposition offered by the Model 615 product is likely to resonate even more with individuals in certain overseas communities.

The company recently expanded its distribution [footprint into Chile, Hong Kong and Macau](#), and [Singapore](#). The order from Pacific Medical Systems, Ltd for Hong Kong and Macau, for example, came with a minimum commitment of 11,800 units over the first three years. These deals typically also include ancillary orders of other OxySure products like the wall mounts, travel bags, and replacement cartridges and masks. The deal with HTM Medico Pte Ltd in Singapore requires an annual minimum purchase commitment of 1,250 units of Model 615, valuing the contract at \$1.3 million in the first 5 years. We remind investors that in September 2014, the company signed a \$2.46 million, 3-year, 18,000 minimum unit contract with Ajad Medical to be the company's exclusive distributor in [Saudi Arabia](#). We continue to believe there is potential for rapid uptake in overseas markets.

On April 2, 2014, OxySure announced [CE Mark approval](#) in Europe for the Model 615 device. We expect that management will begin to roll-out the device to the thirteen EEA member states throughout 2015. As OxySure signs new exclusive agreements for large countries like Germany, France, and Italy, these minimum orders will be significant revenues to OxySure. Above we noted the size and terms of the distribution agreement in Saudi Arabia, a country with a population of around 30 million. Italy, for example, has a population twice that size. The population of Germany (~81 million) is ten-times that of Hong Kong and Macau (~8 million). The population of France (~66 million) is ten-times that of Singapore (~6 million). It is for this reason that we believe international Model 615 sales could skyrocket in the coming years. A minimum commitment from a distributor in Germany alone could be north of \$1 million in upfront revenues to OxySure. Oxysure is also in discussions with other distributors in South Korea, Singapore, as well as Latin America. As per management, the plan is to negotiate an exclusive with an overseas distributor in exchange for a minimum sales commitment (usually two to three years out).

Attractive Valuation

OxySure believes it can [double its sales](#) in 2015 through signing new distribution agreements in emerging markets, launching the product around Europe, and continuing to focus on “at risk” and “established” markets in the United States. For 2015, we do not quite model a double from 2014 revenues. Instead, we are conservatively modeling revenues up 61% to \$3.9 million. However, we note that our model for 2015 and beyond is expected to change dramatically as the company expands its distribution by making strategy acquisitions. For example, we would not be surprised to see the Estill Medical merger back on the table at some point in 2015. We also see several other markets, including wound care, diagnostics, and respiratory emergency products fitting nicely into the company’s platform. Management expects to continue to add new products to its catalog during 2015, with an emphasis on products that compliment the existing portfolio that currently target the following responder and pre-responder markets: emergency; resuscitation; trauma; short-duration oxygen market; and the pre-hospital medical emergency market. We view the recent news of the emergency drone line as well as OxySure’s participation in the 2015 Special Olympics World Games as good news for the company. We look forward to hearing additional news and learning more about what the near future holds for OxySure.



We think OxySure can eventually get total revenues to the \$10 million mark in a few years through a combination of organic growth and M&A activities. The current market capitalization is only \$19 million, meaning OxySure is trading at roughly 4.8 times our projected 2015 revenues. By 2016, with an estimated \$5.5 million in revenues, we believe OxySure can post breakeven operations. Our target is \$1.75 per share, which is a market capitalization of \$50 million. Given our projected 61% revenue growth for 2015, we believe this is a fair target.

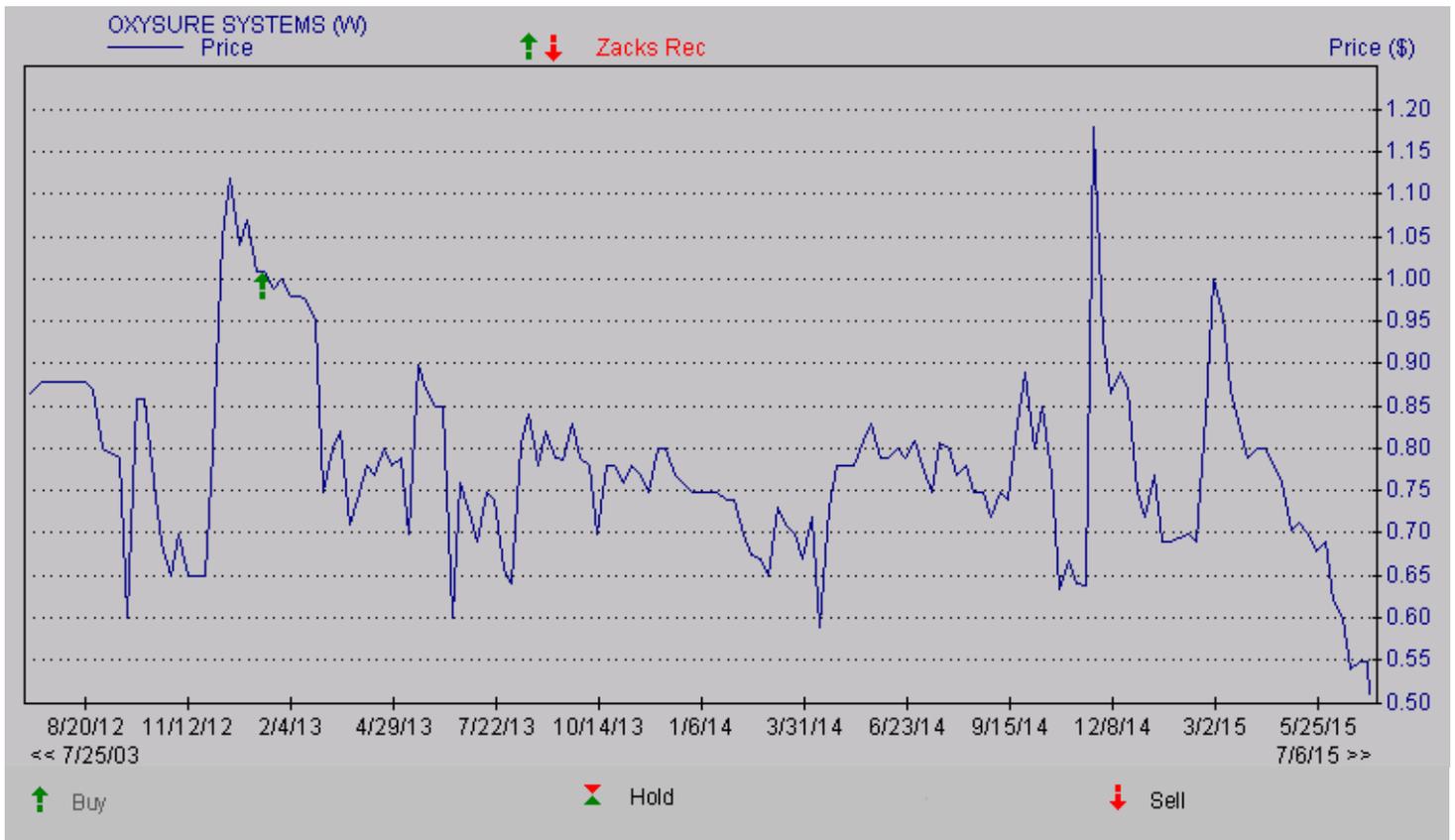
OxySure Systems, Inc. – INCOME STATEMENT

OxySure Systems, Inc.	2013 A	2014 A	Q1 A	Q2 E	Q3 E	Q4 E	2015 E	2016 E
OxySure Systems	\$1.80	\$2.44	\$0.62	\$0.80	\$1.00	\$1.50	\$3.92	\$5.50
<i>YOY Growth</i>	567.5%	35.4%	75.3%	18.0%	22.2%	156.6%	61.0%	40.1%
Pipeline / New Products	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<i>YOY Growth</i>	-	-	-	-	-	-	-	-
Total Revenues	\$1.80	\$2.44	\$0.62	\$0.80	\$1.00	\$1.50	\$3.92	\$5.50
<i>YOY Growth</i>	567.5%	35.4%	75.3%	18.0%	22.2%	156.6%	61.0%	40.1%
Cost of Goods Sold	\$0.49	\$1.42	\$0.34	\$0.48	\$0.60	\$0.90	\$2.32	\$3.30
<i>Product Gross Margin</i>	72.8%	41.8%	46.2%	40.0%	40.0%	40.0%	41.0%	40.0%
Operating Expenses	\$1.80	\$3.05	\$1.30	\$1.30	\$1.30	\$1.30	\$5.20	\$5.46
<i>% SG&A</i>	99.9%	125.3%	208.2%	162.5%	130.0%	86.7%	132.5%	99.3%
Operating Income	(\$0.49)	(\$2.03)	(\$1.01)	(\$0.98)	(\$0.90)	(\$0.70)	(\$3.59)	(\$3.26)
<i>Operating Margin</i>	-	-	-	-	-	-	-91.5%	-59.3%
Interest & Other Net	(\$0.22)	(\$0.72)	(\$0.33)	(\$0.10)	(\$0.10)	(\$0.10)	(\$0.63)	(\$0.50)
Pre-Tax Income	(\$0.71)	(\$2.75)	(\$1.34)	(\$1.08)	(\$1.00)	(\$0.80)	(\$4.22)	(\$3.76)
Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<i>Tax Rate</i>	0%	0%	0%	0%	0%	0%	0%	0%
Other Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Income	(\$0.71)	(\$2.75)	(\$1.34)	(\$1.08)	(\$1.00)	(\$0.80)	(\$4.22)	(\$3.76)
<i>YOY Growth</i>	-	-	-	-	-	-	53.3%	-10.9%
<i>Net Margin</i>	-	-	-	-	-	-	-107.5%	-68.4%
Reported EPS	(\$0.03)	(\$0.10)	(\$0.05)	(\$0.03)	(\$0.03)	(\$0.02)	(\$0.13)	(\$0.09)
<i>YOY Growth</i>	-	-	-	-	-	-	25.4%	-28.2%
Shares Outstanding	23.8	26.4	29.0	31.0	33.5	35.5	32.2	40.0

Source: Zacks Investment Research, Inc.

Jason Napodano, CFA

HISTORICAL ZACKS RECOMMENDATIONS



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