

## OxySure Systems, Inc. (OTCQB: OXYS), Target Price: \$2.30

OxySure Systems, Inc. (OTCQB: OXYS, "OxySure") provides innovative 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 Frisco, Texas-based 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 has been accelerating its penetration in the marketplace, reporting twelve quarters in a row of sequential revenue growth, including impressive 2Q15 results in which quarterly revenue eclipsed \$1mn for the first time in its history.

### Investment Highlights

#### Impressive growth at OxySure continues in 2Q15

OxySure reported impressive 67% sequential growth in Q215 as the company continued to build momentum in the marketplace with the OxySure Model 615. 2Q15 marked the 12<sup>th</sup> consecutive quarter of annual growth, with revenue of \$1.05mn growing 54% from 2Q14 revenue of \$0.68mn. Gross Profit also rose by over 50% YoY, as gross margins were 60.9%, in line with 2Q14. EPS came in at (0.04) versus (0.01) in 2Q14.

Following a \$3mn capital raise during the period, OxySure ended the quarter with \$2.9mn in cash and outstanding convertible debt of \$1.1mn. OxySure total assets were \$5.3mn including \$4.6mn in current assets, with shareholder's equity improving to \$3mn from \$1mn at the end of 2014.

#### Nice progress in 2015 as OxySure targets a national listing

Following its recent financing and strong growth trends, OxySure intends to list on a national exchange, such as the NASDAQ or NYSE MKT. On August 13, 2015, the company announced that it had retained Donohoe Advisory Associates of Rockville, Maryland to assist in this effort. In our view, a potential listing on a prominent national exchange would represent a major accomplishment for OxySure. We would see any progress towards a NASDAQ Capital Markets or NYSE MKT listing as a positive data point, as a listing on a major exchange would likely increase liquidity, raise the company's profile in its industry, and expand its potential base of institutional investors.

#### Continued progress in sales and distribution expansion

Oxysure continues to make progress expanding its sales and distribution channels, with recent strategic partnerships announced with Z-Media, a leading developer of bleeding control and hemostatic devices like the QuikClot Combat Gauze, and Cardiac Science, which manufactures automated external defibrillators (AED). The company also demonstrated the effectiveness of the OxySure Model 615 in a high profile setting, with the device being used 18 times during the Special Olympics World Games, which took place between July 25, 2015 and August 2, 2015

#### OXYS price target remains \$2.30

We are maintaining our price target of \$2.30 for OXYS. We continue to view OxySure as an attractive growth company offering an intriguing high risk / high reward trade-off in the medical device space. The company's innovative medical device utilizing "oxygen

from powder" technology has demonstrated strong growth thus far, with 12 consecutive quarters of annual growth. We see several potential catalysts ahead for the company, and note that so far OxySure management has followed through on the goal for 2015E to be a pivotal year for growth and expansion. If achieved, the price target of \$2.30 represents potential upside of 411.1% from the recent price of \$0.45 on August 21, 2015.

#### Stock Details (8/21/2015)

OTCQB	OXYS
Sector / Industry	Healthcare / Medical Devices
<b>Price Target</b>	<b>\$2.30</b>
Recent share price	\$0.73
Shares o/s (mn)	32.0
Market cap (in \$ mn)	14.4
52-week high/low	\$1.20 / \$0.40

Source: Bloomberg, SeeThruEquity Research

#### Key Financials (\$mn, unless specified)

	FY13	FY14	FY15E
Revenues	1.8	2.4	4.5
EBITDA	(0.4)	(2.0)	(2.4)
EBIT	(0.5)	(2.0)	(2.6)
Reported net income	(0.7)	(2.7)	(4.1)
GAAP EPS	(0.03)	(0.10)	(0.13)

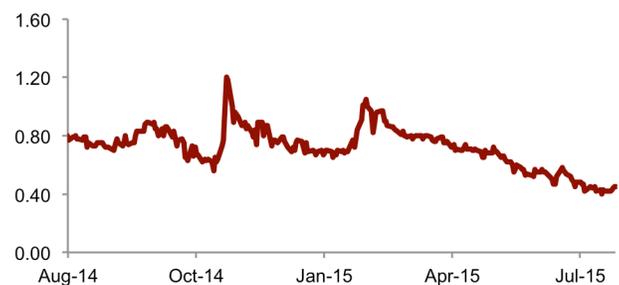
Source: SeeThruEquity Research

#### Key Ratios

	FY13	FY14	FY15E
Gross margin (%)	72.8	41.8	58.6
Operating Margin (%)	(27.7)	(83.5)	(59.7)
EBITDA margin (%)	(24.2)	(81.8)	(58.7)
Net margin (%)	(39.6)	(113.0)	(95.6)
P/Revenue (x)	8.0	6.0	3.2
EV/EBITDA (x)	NM	NM	NM
EV/Revenue (x)	8.4	6.3	3.3

Source: SeeThruEquity Research

#### Share Price Performance (\$, LTM)



Source: Reuters

## ANNUAL FINANCIAL SUMMARY

Figure 1. Income Statement Summary

Figures in \$'000, unless specified	2Q15	2Q14
<b>Revenue</b>	<b>1,046,019</b>	<b>678,111</b>
YoY growth	54.3%	
<b>Cost of Revenue</b>	<b>409,183</b>	<b>264,856</b>
as % of total sales	39.1%	39.1
<b>Gross Profit</b>	<b>636,836</b>	<b>413,255</b>
Gross margin	60.9%	60.9%
<b>Research &amp; Development</b>	<b>297,456</b>	<b>275,974</b>
as % of net sales	28.4%	40.7%
<b>Selling &amp; Marketing</b>	<b>329,393</b>	<b>154,044</b>
as % of net sales	31.5%	22.7%
<b>General &amp; Administrative &amp; Other Items</b>	<b>621,066</b>	<b>259,230</b>
as % of net sales	59.4%	38.2%
<b>GAAP Operating expenses</b>	<b>1,247,915</b>	<b>689,248</b>
YoY growth	81.1%	
<b>Income from operations</b>	<b>(611,079)</b>	<b>(275,993)</b>
Operating Margin %	(58.4%)	(40.7%)
<b>Other Items</b>	<b>(647,355)</b>	<b>(43,515)</b>
<b>Net Loss to common</b>	<b>(1,258,434)</b>	<b>(319,508)</b>
YoY growth	NM	
<b>GAAP EPS</b>	<b>(0.04)</b>	<b>(0.01)</b>
YoY growth	NM	NM
<b>Avg. Shares Outstanding in Period</b>	<b>30,215,788</b>	<b>25,996,642</b>

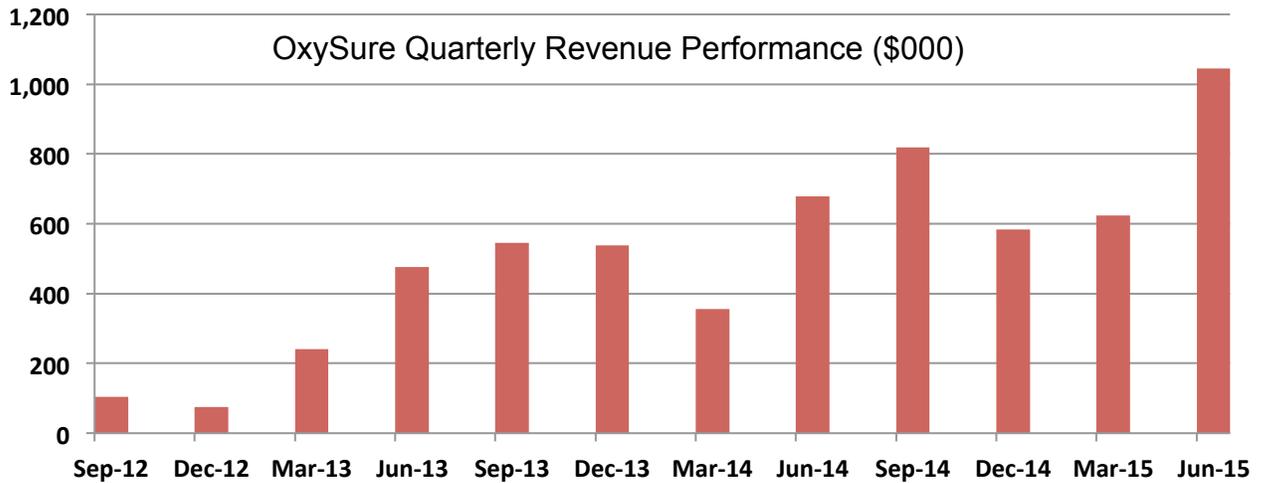
Source: Company filings, SeeThruEquity Research

### Detailed review of results:

- **Strong revenue growth continues at OxySure:** OxySure's 2Q15 results continued their strong growth trajectory as the company's innovative oxygen-from-powder product line gains further market traction. Led by the performance of its flagship OxySure Model 615, which produces medically pure oxygen in an emergency and has been medically cleared by the FDA for over-the-counter sale with out the need for a prescription, Oxysure revenue rose 67% sequentially to reach \$1.05mn from \$0.62mn in 1Q15.
- OxySure also demonstrated robust top line growth compared to the year-ago period, with revenue increasing 54% from \$0.68mn in 2Q14. Gross Profit also rose by over 50% YoY, as gross margins were 60.9%, in line with 2Q14.
- OxySure GAAP EPS came in at (\$0.04) versus (\$0.01) in 2Q14. Our 2015E revenue and EPS estimates move to \$4.5mn and (\$0.13). We are expecting the company to generate revenues of \$10mn in 2016E per management's goal of exiting 2015E at a \$10mn annualized revenue run rate.



- Twelve consecutive quarters of annual growth:** Impressively, 2Q15 marked the 12<sup>th</sup> consecutive quarter of revenue growth for OxySure, as shown in the chart below. OxySure is beginning to gain higher notoriety as the growth continues, being named in the Top Five fastest growing technology companies in North Texas by Fast Tech, presented by TravisWolff and Comerica Bank's Technology and Life Sciences Division.



Source: Company filings, SeeThruEquity Research

- Balance Sheet in Good Shape at Quarter's End:** OxySure ended 2Q15 with cash on hand of \$2.9mn, as the company benefitted from a successful \$3mn offering during the quarter. The company has \$1.1mn of convertible debt outstanding. OxySure ended with period with total assets of \$5.3mn including \$4.6mn in current assets. Shareholder's equity was \$3mn, up from \$1mn at the end of 2014.

#### Several catalysts remain for OxySure

- Following its recent financing and strong growth trends, we expect OxySure to seek to list on a national exchange, such as the NASDAQ or NYSE MKT. The company retained Donohoe Advisory Associates of Rockville, Maryland to assist in this effort on August 13, 2015.
- In our view, a listing on a prominent national exchange would represent a major accomplishment for OxySure. We would see any progress towards a NASDAQ Capital Markets or NYSE MKT listing as a positive data point, as a listing on a major exchange would likely increase liquidity, raise the company's profile in its industry, and expand its potential base of institutional investors.
- OxySure has announced several new corporate developments including being selected as an official supplier of medical equipment for the Special Olympics World Games Los Angeles 2015 and a strategic partnership with Z-Media, a leading developer of bleeding control and hemostatic devices like the QuikClot Combat Gauze. Interestingly, the OxySure Model 615 was used 18 during the Special Olympics World Games, which took place between July 25, 2015 and August 2, 2015.
- OxySure also disclosed plans for a medical drone solution to be utilized in aerial operations in support of emergency response and services, disaster response and recovery, search and rescue, and humanitarian relief efforts, appointing PP Aviation Corporation (PPA) as a non-exclusive distributor of its medical drones into military markets.
- OxySure is planning to host an annual Investor Day on September 15, 2015, in Frisco Texas. Management has previously stated a goal of exiting 2015E with an annual sales rate of \$10mn through expanded sales efforts, potential acquisitions and expanded distribution.

**Maintaining price target of \$2.30**

- We are maintaining our price target of \$2.30 for OxySure. If achieved, our price target suggests potential upside of 411.1% from the recent price of \$0.45. At our target price, OxySure would trade at 6.9x the \$10mn estimate for annualized revenues by the end of the year, which we believe is fair considering the rapid growth required to accomplish this feat
- At the recent price of 0.45, Oxysure shares trade at a market capitalization of \$14.4mn, 3.2x our 2015E estimate of \$4.5mn and 1.4x our 2016E estimate of \$10mn.
- We continue to view OxySure as an attractive growth company offering an intriguing high risk / high reward trade-off in the medical device space. The company's innovative medical device utilizing "oxygen from powder" technology has demonstrated strong growth thus far, and so far during 2015E OxySure management has followed through on its guidance that 2015E to be a pivotal year for growth and expansion.

**About OxySure Systems, Inc.**

OxySure Systems, Inc. (OXYS) is a medical technology company that focuses on the design, manufacture and distribution of specialty respiratory and medical solutions. The company pioneered a safe and easy to use solution to produce medically pure (USP) oxygen from inert powders. The company owns numerous issued patents and patents pending on this technology which makes the provision of emergency oxygen safer, more accessible and easier to use than traditional oxygen provision systems. OxySure's products improve access to emergency oxygen that affects the survival, recovery and safety of individuals in several areas of need: (1) Public and private places and settings where medical emergencies can occur; (2) Individuals at risk for cardiac, respiratory or general medical distress needing immediate help prior to emergency medical care arrival; and (3) Those requiring immediate protection and escape from exposure situations or oxygen-deficient situations in industrial, mining, military, or other "Immediately Dangerous to Life or Health" (IDLH) environments. [www.OxySure.com](http://www.OxySure.com)



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