



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

OxySure Systems, Inc. (OTCQB: OXYS, "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.

We see OxySure as an intriguing company with several potential catalysts ahead as it enters 2015. In the last six weeks, OxySure has made several key announcements that increase our confidence that the company can execute on its growth plans, including raising fresh capital, striking a large new distribution agreement, and announcing that current CEO Julian T. Ross will stay on as CEO for at least the next three years. Mr. Ross will also continue to serve as CFO of OxySure until the company completes its CFO search, which is expected to occur during 2015.

Exclusive new deal announced in Singapore

Last month, OxySure announced an impressive new exclusive distribution agreement with HTM Medico Pte Ltd. ("HTM Medico") in Singapore. The agreement appoints HTM Medico as the company's exclusive distributor in Singapore, and we believe represents a material new deal for the company. Importantly, the distribution agreement covers five years and includes minimum order commitments for OxySure's flagship product, the OxySure Portable Emergency Oxygen System, Model 615.

New financing to help fund growth

We were impressed to learn that OxySure was able to secure strategic financing for general corporate purposes and to fund its growth plans. Given its strong growth outlook but limited cash on the balance sheet at the end of the September quarter, we see the access to growth capital as a key factor helping to enable the company to execute to plan. The company raised \$1.575mn in equity financing from an existing accredited institutional investor. The raise will include preferred stock and warrants, and will be denominated in three installments of \$525,000 – the first of which has already closed as of December 29, 2014.

Olympian Cliff Meidl becomes spokesman

The company also announced that it had signed an exclusive long-term agreement with Cliff Meidl, a two-time Olympian and Team USA flag bearer at the Sydney Games, to be a spokesman and health ambassador for the company. Meidl, a passionate advocate for safety, has been named one of the twenty most inspiring USA Olympians after surviving a severe high voltage accident on a construction site. During the accident Meidl survived against all odds, receiving life-saving CPR and oxygen from local fire fighters, becoming an Olympian and elite kayaker despite withstanding a voltage equal to five times the amount used in the electric chair.

Maintaining price target of \$2.30

We are maintaining our price target of \$2.30 for OxySure. We see the company as a compelling medical device company in the small cap healthcare sector with an innovative medical device with several catalysts ahead. We have modeled strong growth in 2015E; our model calls for the top line to grow from \$3.1mn in 2014E, which would represent growth of 72.2% from 2013 levels. OxySure's

management has also reiterated its goal to reach an annual ru rate of \$10.0mn in 2015E, and we are encouraged by the recer steps taken by the company to achieve this goal. Our target c \$2.30 suggests potential upside of 233.3% from the recent pric of \$0.69 on January 21, 2015.

Stock Details (1/21/15)

OTCQB:	OXYS
Sector / Industry	Healthcare / Medical Equipment
Price target	\$2.30
Recent share price	\$0.69
Shares o/s (mn)	26.9
Market cap (in \$mn)	18.6
52-week high/low	\$1.40 / \$0.45

Source: Bloomberg, SeeThruEquity Research

Key Financial (\$mn, unless specified)

	FY13	FY14	FY15E
Revenues	1.8	3.1	10.0
EBITDA	(0.4)	(1.1)	0.6
EBIT	(0.5)	(1.1)	0.6
Net Income	(0.7)	(1.4)	0.6
EPS (\$)	(0.03)	(0.05)	0.02

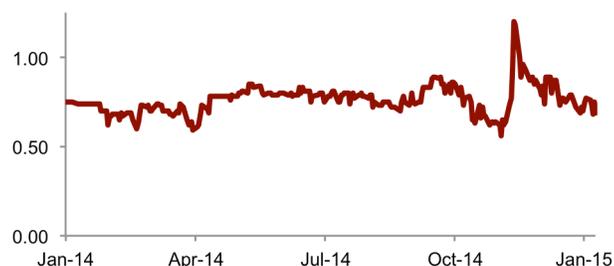
Source: SeeThruEquity Research

Key Ratios

	FY13	FY14	FY15E
Gross margin (%)	72.8	60.3	61.3
Operating Margin (%)	(27.1)	(36.9)	5.8
EBITDA margin (%)	(24.2)	(35.4)	6.3
Net margin (%)	(39.6)	(46.4)	6.4
P/Revenue (x)	10.3	6.0	1.9
EV/EBITDA (x)	NM	NM	31.5
EV/Revenue (x)	10.5	6.1	1.9

Source: SeeThruEquity Research

Share Price Performance (\$, LTM)



Source: Bloomberg

Detailed review of new international distribution agreement with HTM Medico

In December OxySure announced that it had signed a significant new multi-year exclusive distribution agreement with HTM Medico Pte Ltd. (“HTM Medico”) in Singapore. HTM Medico is a leading distributor of Automated External Defibrillators (AEDs) and Electrocardiogram (ECG) equipment in Singapore, focused on commercial and government markets. We were pleased to see the international distribution announcement, and believe it suggests that the company continues to experience strong demand for its flagship Model 615 product. We see OxySure as a growth story. Our estimates call for revenue to increase by over 72% from \$1.8mn in 2013 to reach \$3.1mn in 2014E. We have modeled continued growth into 2015E, with revenue expected to increase by 226.8% from \$3.1mn in 2014E to reach \$10mn in 2015E, in line with OxySure’s plan to reach a run rate of \$10mn in annual sales during 2015E, due to the combination of organic growth, sales efforts, and expanded distribution.



We see the company’s announcement of new, exclusive distribution in Singapore as a positive step towards driving growth, and indicative that the company continues to experience strong demand. Importantly, the agreement with HTM Medico is an exclusive distribution agreement with a five-year term that includes minimum purchase commitments by HTM Medico for OxySure’s flagship Model 615 portable emergency oxygen system product line. The Model 615 is an extremely competitive product which has initially gained traction in the K-12 market, but which we believe has potential to appeal to a wide range of markets, including secondary education, places of worship, commercial facilities, the military and, and sports and recreation, among others.

The Model 615 has been cleared by the FDA and is supported by a strong patent portfolio. Importantly it does not require a prescription and can be used by a parent, bystander, or the victim to administer lifesaving oxygen in the event of a medical emergency. Although all parties have hopes that the agreement will yield results above the minimum purchase, we find it worth noting that the minimum annual purchase of 1,250 units translates into a minimum of \$1.3mn in future Model 615 revenue over the next five years. Further, new penetration of the Model 615 devices should increase the likelihood of future purchases of the company’s replacement cartridges, which we see as having attractive high margin, recurring revenue-like attributes.

Financing a key to future growth

Given that OxySure ended the September quarter with cash on hand of \$8,654, we were pleased that the company secured additional financing to fund general corporate purposes and its growth plan. We view access to growth capital as a key milestone for Oxysure given that its product line appears well differentiated and the company sees a \$10mn revenue run rate as achievable during 2015. The company announced that it has secured commitments of \$1.575mn in new equity financing from an existing accredited institutional investor. Pursuant to the financing, the company increased the number of shares designated as its Series B Convertible Preferred Stock, from 750 shares to 3,500 shares, with a stated value of \$1,000 per share. The financing comprises three tranches of \$525,000, and each tranche consists of 525 units, with each unit including 1 share of the Series B Convertible Preferred Stock and 1,818 warrants with an exercise price of \$1.20 per share. OxySure has already received access to a portion of the capital commitment, as the first tranche closed on December 29, 2014.

Maintaining price target to \$2.30

We are maintaining our price target of \$2.30 per share for OxySure. If realized, our price target of \$2.30 represents potential upside of 233.3% from the recent price of \$0.69 on January 21, 2015. The additional financing and what appears to be continued news of strong demand underscores our positive view of the company. We increased our price target on OxySure on December 5, 2014, from \$1.27 to \$2.30 and have been impressed with the company’s growth trajectory, expanded international distribution and outlook for achieving a run rate of \$10mn in sales during 2015E.

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 two dry, 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

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