



OxySure Systems, Inc.
OTCQB: OXYS

March 31, 2015
Target Price: \$1.90
Recent Price: \$0.78

Market Data

Fiscal Year	December
Industry	Medtech
Market Cap	\$22.2M
Price/Earnings (ttm)	N/A
Price/Book (mrq)	8.8x
Price/Sales (ttm)	9.1x
Insider Ownership	59.6%
Shares Outstanding	28.4M
Equity Float	4.2M
Avg. Volume (3 mo.)	79,733

As of March 31, 2015

Income Statement Snapshot

TTM

Revenue	\$2.4M
Gross Profit	\$1.0M
Gross Margin	41.8%
Net Income	(\$2.8M)

Balance Sheet Snapshot

MRQ

Cash*	\$2.1M
Debt	\$0.7M

**Includes \$1.5 million from January financing*

FY14 Revenue Up 35% YoY; 10th Straight Qtr of Revenue Growth

FY14 revenue up 35% YoY; 10th straight quarter of growth. OXYS reported revenue of \$2.4 million in FY14, a 35% YoY increase as compared to \$1.8 million in FY13. This was driven by an 83% increase in U.S. revenues. Gross profit was \$1.1 million (gross margin of 41.8%), a 15.7% decrease from \$1.2 million in FY13. This was primarily due to an increase in absorbed rent expense and labor cost (the method for calculating cost of goods sold has changed from previous quarters); adjusted for these costs, gross profit was \$1.35 million, representing a gross margin of 56%. Gross margins are expected to increase over time as sales increase, as many of these costs are fixed. Selling, general and administrative expenses for FY14 were \$2.5 million as compared to \$1.3 million in FY13. The primary reasons for the expense increases were investments in sales and marketing (a 104% YoY increase to \$718,705), and an increase in professional fees associated with an acquisition during 2H14 that OXYS did not end up consummating. We expect the Company to continue to invest in sales and marketing (as evidenced by many new sales hires during 1Q15). We believe that general and administrative expenses will decrease relative to 2H14 as many of these costs were related to the acquisition and are one-time in nature. Net loss for FY14 was \$2.8 million, or \$0.10 per share, as compared to \$712,452 or \$0.03 per share in FY13.

4Q14 revenue was \$584,606, an 8.7% increase as compared to \$538,016 in 4Q13. Gross margins in 4Q14 were -7.2%; we believe that the negative gross margin is due to accounting changes during the quarter and is not indicative of actual gross margins. Net loss during 4Q14 was \$1.6 million, driven by one-time acquisition expenses and non-cash interest related to debt discount amortization.

Shipments of replacement cartridges for the OxySure Model 615 represented about 144% of base units shipped in FY14, up from 125% of base units shipped in FY13. The significant level of replacement cartridges shipped per base unit is indicative of the growing nature of the Company's recurring revenue stream. It also indicates the usefulness and stickiness of the OxySure Model 615 in the marketplace, and should provide a strong base of revenue going forward.

Anticipating strong U.S. and international sales growth in FY15. Over the past few months, OXYS has issued a number of releases detailing new distribution agreements and new sales hires in the U.S. On the call, CEO Julian Ross stated that each sales manager is expected to generate approximately \$500,000-\$600,000 in revenue per annum. We anticipate seeing meaningful sales growth from these hires beginning in 2Q15, with revenues continuing to strongly accelerate throughout the year.

The Company also received CE marking in 2014, and we expect distribution agreements in the European Economic Area to add to sales in FY15.

During FY14, OXYS added \$4.8 million in new contracts. We expect these and other international contracts to add to revenue growth in FY15, although there could be some choppiness in these revenue streams, dependent on when each distributor obtains the proper regulatory approvals in their respective countries.

Lastly, OXYS has made considerable progress on a number of initiatives with the military, and the Company anticipates final testing on some initiatives with the military this year. We believe that OXYS could begin showing revenue growth from some of these new products beginning in FY16.

Price target of \$1.90. This price target would represent P/S multiples of 10.0x FY15E revenue, 4.0x FY16E revenue, and 2.1x FY17E revenue.

	1Q13	2Q13	3Q13	4Q13	FY13	1Q14	2Q14	3Q14	4Q14	FY14	1Q15E	2Q15E	3Q15E	4Q15E	FY15E	1Q16E	2Q16E	3Q16E	4Q16E	FY16E	FY17E
Revenues, net	240,420	476,071	545,820	535,016	1,800,327	356,229	678,111	816,466	584,606	2,437,402	672,297	941,216	1,411,823	2,371,863	5,387,200	2,727,643	3,136,789	3,607,308	4,146,404	13,620,144	25,197,267
Cost of goods sold	53,181	152,472	111,110	173,586	490,319	205,590	284,856	321,932	626,669	1,419,047	386,571	512,963	727,089	1,150,354	2,776,576	1,281,992	1,427,239	1,587,215	1,763,072	6,059,519	9,826,934
Gross profit	187,239	323,599	434,710	361,430	1,310,008	150,639	413,255	494,534	(42,063)	1,018,355	285,726	428,253	684,734	1,221,510	2,610,624	1,445,651	1,709,550	2,020,092	2,383,332	7,560,626	15,370,333
Operating expenses	36,711	183,447	134,357	1,500	356,015	1,541	275,974	155,869	150,051	583,435	154,628	207,067	296,483	355,780	1,013,598	381,870	407,783	432,877	456,324	1,678,854	2,267,754
Research and development	107,347	133,730	77,841	83,238	353,156	87,949	154,044	202,825	273,887	718,705	295,811	376,486	423,547	450,654	1,546,988	490,976	533,254	577,169	622,261	2,223,660	3,779,590
Sales and marketing	256,617	230,651	266,320	391,718	1,089,135	345,757	259,230	527,289	618,730	1,751,006	336,148	263,640	282,365	426,935	1,308,989	436,423	439,151	450,913	456,324	1,782,811	2,217,359
Other general and administrative	(213,436)	(224,229)	(43,808)	(111,936)	(488,298)	(284,608)	(275,993)	(389,459)	(1,084,731)	(2,034,791)	(500,861)	(418,841)	(317,660)	(11,859)	(1,249,222)	136,382	329,363	559,133	850,423	1,875,301	7,105,629
Operating income (loss)	0	0	0	0	0	16,226	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other income (expenses)	0	19,026	8,375	(1,575)	25,825	(331)	42,465	96,161	34,322	188,843	47,211	47,211	47,211	47,211	188,843	47,211	47,211	47,211	47,211	188,843	188,843
Gain on settlement of debt	(28,716)	(26,734)	(47,180)	(154,310)	(249,979)	(107,607)	(85,980)	(169,051)	(54,974)	(907,612)	(33,000)	(33,000)	(33,000)	(33,000)	(132,000)	(33,000)	(33,000)	(33,000)	(33,000)	(132,000)	(132,000)
Interest expense	(28,716)	(7,708)	(38,805)	(155,885)	(224,154)	(91,712)	(43,515)	(72,898)	(50,652)	(718,769)	14,211	14,211	14,211	14,211	56,843	14,211	14,211	14,211	14,211	56,843	56,843
Total other expenses	(242,152)	(231,937)	(82,813)	(267,861)	(712,452)	(376,320)	(319,508)	(462,349)	(1,595,383)	(2,753,560)	(466,650)	(404,630)	(303,450)	2,351	(1,192,379)	150,593	343,574	573,343	864,634	1,932,144	7,162,472
Net income (loss)	(242,152)	(231,937)	(82,813)	(267,861)	(712,452)	(376,320)	(319,508)	(462,349)	(1,595,383)	(2,753,560)	(466,650)	(404,630)	(303,450)	2,351	(1,192,379)	150,593	343,574	573,343	864,634	1,932,144	7,162,472
Diluted net income (loss) per common share	(\$0.01)	(\$0.01)	(\$0.00)	(\$0.01)	(\$0.03)	(\$0.01)	(\$0.01)	(\$0.02)	(\$0.06)	(\$0.10)	(\$0.02)	(\$0.01)	(\$0.01)	\$0.00	(\$0.04)	\$0.01	\$0.01	\$0.02	\$0.03	\$0.07	\$0.25
Weighted average common shares outstanding	22,665,515	23,167,438	24,076,789	25,092,357	23,754,402	25,869,334	25,896,642	26,120,974	27,340,103	26,367,254	28,438,631	28,438,631	28,438,631	28,438,631	28,438,631	28,438,631	28,438,631	28,438,631	28,438,631	28,438,631	28,438,631
Diluted	77.9%	66.0%	79.6%	67.7%	72.8%	42.3%	60.9%	60.7%	-7.2%	41.8%	42.5%	45.5%	48.5%	51.5%	48.5%	53.0%	54.5%	56.0%	57.5%	55.5%	61.0%
Gross Margin	15.3%	38.5%	24.6%	0.3%	19.5%	0.4%	40.7%	19.0%	23.9%	23.9%	23.0%	22.0%	21.0%	15.0%	18.8%	14.0%	13.0%	12.0%	11.0%	12.3%	9.0%
S&M as % of rev	44.5%	28.1%	14.3%	15.5%	19.5%	24.7%	22.7%	24.8%	46.8%	29.5%	44.0%	40.0%	30.0%	19.0%	28.7%	18.0%	17.0%	16.0%	15.0%	16.3%	15.0%
G&A as % of rev	106.7%	48.4%	48.8%	72.8%	60.5%	97.1%	38.2%	64.4%	105.8%	71.8%	50.0%	28.0%	20.0%	18.0%	24.3%	16.0%	14.0%	12.5%	11.0%	13.1%	8.8%

Additional Information

Legal: K&L Gates, The Law Firm of Gregory G. Jones, P.C., The Johnson Firm, Horzepa Spiegel & Associates, PC

Auditor: Sadler, Gibb & Associates, LLC

Transfer Agent: Action Stock Transfer

Company Website

Additional Company Information

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Company Contact Info:

OxySure Systems, Inc.
10880 John W. Elliott Drive, Suite 600,
Frisco, TX 75033
Phone: +1 (972) 294 6461
www.oxysure.com

Investor Contact Info:

RedChip Companies, Inc.
1017 Maitland Center Commons Blvd.
Maitland, FL 32751
(407) 644-4256
www.redchip.com