Zacks Small-Cap Research

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OxySure Systems, Inc.

(OXYS-OTCQB)

OXYS: Insights From Meeting With Management…

UPDATE

On Sunday, January 12, 2014, we arrived in San Francisco, CA for the annual JP Morgan Healthcare Conference, as well as the parallel Biotech showcase and OneMedForum Conferences. This was the eighth year in a row that we made the trip to San Francisco for these events, which are a must-attend for serious healthcare investors.

During my three days in San Francisco, I conducted 25 one-on-one meetings with various managements of small and mid-cap biotechnology and specialty pharmaceutical companies. Below are some "notes" from our meeting with OxySure Systems, Inc.

Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	01/14/2013
Current Price (01/22/14)	$0.77
Target Price	**$1.75**

SUMMARY DATA

52-Week High	**$1.02**
52-Week Low	**$0.59**
One-Year Return (%)	**-24.49**
Beta	**N/A**
Average Daily Volume (sh)	**2,867**
Shares Outstanding (mil)	**24**
Market Capitalization ($mil)	**$18**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**N/A**
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 2013 Estimate	**N/A**
P/E using 2014 Estimate	**N/A**

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

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2012	0.03 A	0.06 A	0.10 A	0.08 A	0.27 A
2013	0.24 A	0.48 A	0.55 A	0.28 E	1.54 A
2014					3.00 E
2015					5.50 E

Earnings per Share
(EPS is operating earnings before non recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2012	-$0.02 A	-$0.01 A	-$0.01 A	-$0.01 A	-$0.04 A
2013	-$0.01 A	-$0.01 A	-$0.00 A	-$0.01 E	-$0.03 E
2014					$0.00 E
2015					$0.06 E

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WHAT'S NEW

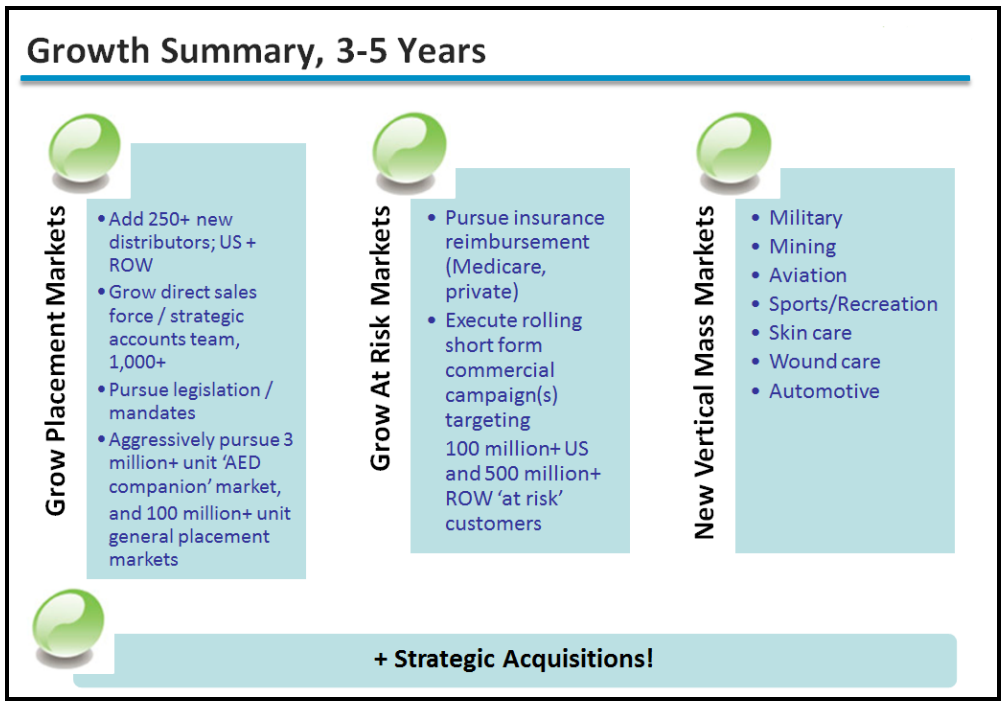
OxySure Systems, Inc. (OXYS)
Meeting took place with Julian Ross, CEO

We had a quick meeting with Julian Ross, CEO of OxySure to get an update on the business and the recent progress being made with the military. On the business side, we were pleased to see the company sure-up the balance sheet with a $750,000 private placement in early January 2014. Based on the current operating burn rate, that raise should provide around two to three quarters worth of cash to the company.

On the operational side, management told us that sales in the fourth quarter were impacted by the government shut-down and lack of appropriations on the omnibus funding bill. The slowdown in military orders in the fourth quarter is a shame because the company was doing so well in this regard earlier in the year. For example, total revenues of $545,820 in the third quarter 2013 were up 428% year-over-year and about half of that total came from the military. Without a budget appropriations bill in the fourth quarter – which by the way finally just passed on January 17, 2014 – it is possible that we see a 50% sequential drop in revenues in the fourth quarter 2014. That being said, business with the U.S. military was going strong prior to the government funding shut-down, so we expect a snap-back in revenues by the start of the second quarter 2014.

OxySure is doing some really neat stuff with the military, including working with the Navy on an emergency escape breathing device (EEBD) and with the SEAL team on providing oxygen for high-altitude HALO / HAHO jumps. The company is also working on a device for Navy and Air Force pilot's ejection seats. OxySure is branching out beyond just first-aid devices like the Model 615, and we do not think investors have come to grips with the potential for smaller, more compact device for battlefield use being developed right now by the company.

Beyond the military aspect of the business, management tells us they are continuing to make progress on the distribution front, particularly outside the U.S. We remind investors that the company provided an update on EU CE Mark in September 2013 and just recently expanded its distribution footprint into Chile, and Hong Kong and Macau. We remain big fans of the OxySure story and are excited to see what steps the company takes in 2014 to continue the impressive growth seen in 2013.



PROJECTED FINANCIALS

OxySure Systems, Inc.
Income Statement

OxySure Systems, Inc.	2011 A	2012 A	Q1 A	Q2 A	Q3 A	Q4 E	2013 E	2014 E	2015 E	2016 E
Direct Product Sales	**$0.185**	**$0.270**	**$0.115**	**$0.364**	**$0.287**	**$0.150**	**$0.916**	**$1.500**	**$3.000**	**$5.000**
YOY Growth	*41.4%*	*45.6%*	*313.9%*	*478.1%*	*177.8%*	*98.4%*	*239.7%*	*63.7%*	*100.0%*	*66.7%*
Distribution Agreements	**$0**	**$0**	**$0.125**	**$0.113**	**$0.259**	**$0.125**	**$0.621**	**$1.500**	**$2.500**	**$3.500**
YOY Growth	-	-	-	-	-	-	-	*141.4%*	*66.7%*	*40.0%*
Total Revenues	**$0.185**	**$0.270**	**$0.240**	**$0.476**	**$0.546**	**$0.275**	**$1.537**	**$3.000**	**$5.500**	**$8.500**
YOY Growth	*-48.0%*	*45.6%*	*762.2%*	*657.0%*	*428.2%*	*263.8%*	*470.0%*	*95.1%*	*83.3%*	*54.5%*
Cost of Goods Sold	$0.103	$0.096	$0.053	$0.152	$0.111	$0.063	$0.380	$0.720	$1.290	$1.950
Product Gross Margin	*44.2%*	*64.6%*	*77.9%*	*68.0%*	*79.6%*	*77.1%*	*75.3%*	*76.0%*	*76.5%*	*77.1%*
Operating Expenses	$1.151	$1.020	$0.331	$0.512	$0.479	$0.480	$1.802	$2.100	$2.250	$2.500
% SG&A	*621.3%*	*378.3%*	*137.8%*	*107.5%*	*87.7%*	*174.5%*	*117.2%*	*70.0%*	*40.9%*	*29.4%*
Operating Income	($1.069)	($0.846)	($0.144)	($0.188)	($0.044)	($0.268)	($0.644)	$0.180	$1.960	$4.050
Operating Margin	-	-	-	-	-	-	-	-	*35.6%*	*47.6%*
Interest & Other Net	($0.463)	$0.02	($0.025)	($0.004)	($0.039)	($0.050)	($0.118)	($0.125)	($0.100)	($0.050)
Pre-Tax Income	($1.532)	($0.828)	($0.169)	($0.193)	($0.083)	($0.318)	($0.763)	$0.055	$1.860	$4.000
Taxes	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Tax Rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Other Expenses	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Income	($1.532)	($0.828)	($0.169)	($0.193)	($0.083)	($0.318)	($0.763)	$0.055	$1.860	$4.000
YOY Growth	*-2.9%*	-	-	-	-	-	-	-	-	-
Net Margin	-	-	-	-	-	-	-	-	*33.8%*	*47.1%*
Reported EPS	**($0.10)**	**($0.04)**	**($0.01)**	**($0.01)**	**($0.00)**	**($0.01)**	**($0.03)**	**$0.00**	**$0.06**	**$0.11**
YOY Growth	*-4.2%*	*-56.6%*	-	-	-	-	*-22.8%*	*-106.1%*	*2769.4%*	*97.1%*
Shares Outstanding	15.930	19.862	22.666	23.167	24.077	24.800	23.677	28.0	33.0	36.0

Source: Zacks Investment Research, Inc. *Jason Napodano, CFA*

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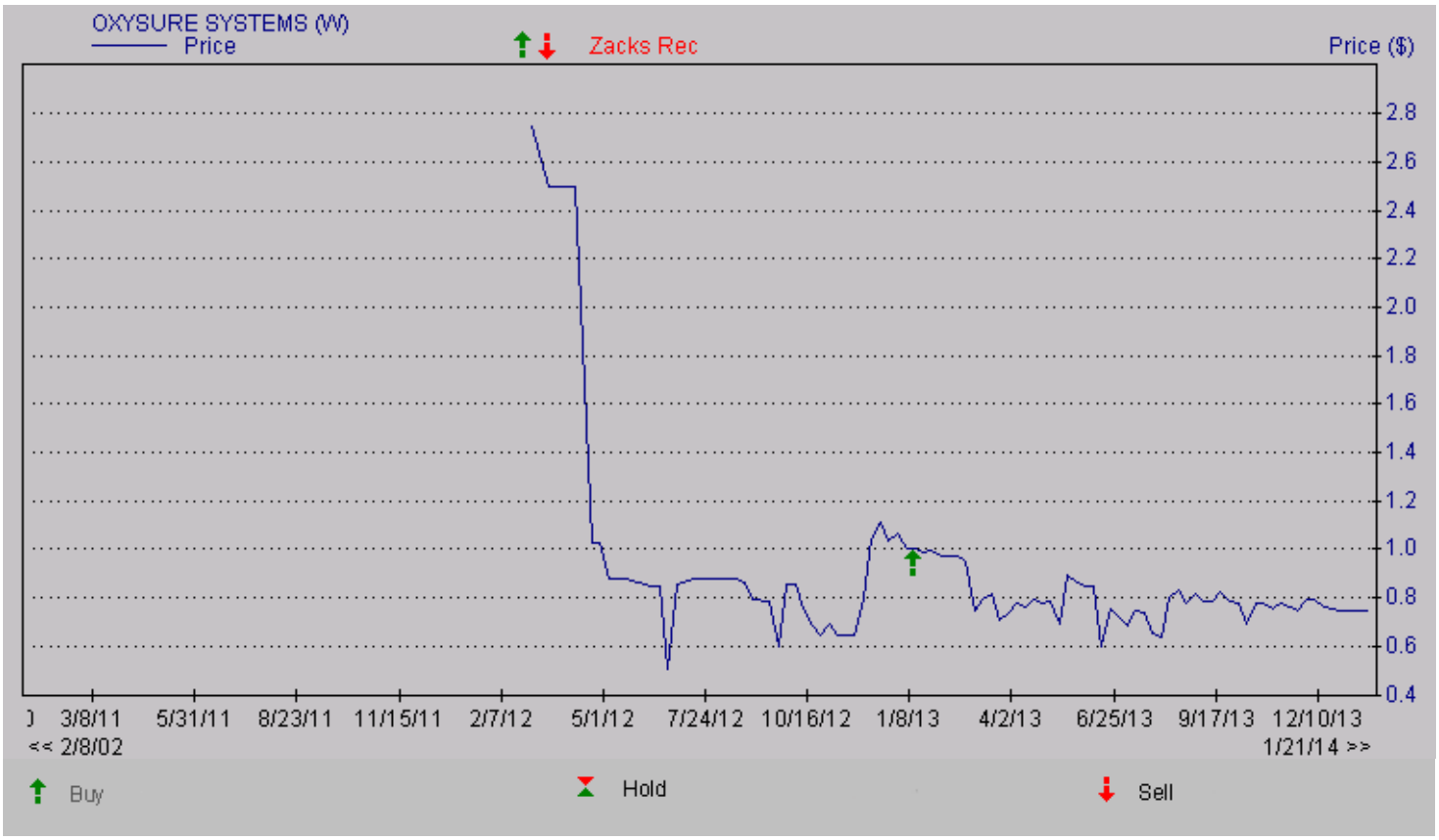

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