

## Mid-Morning Alert

# OCULUS INNOVATIVE SCIENCES, INC.

## OCLS Partner Exercises License Option

Rob Goldman  
[rob@goldmanresearch.com](mailto:rob@goldmanresearch.com)

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**OCULUS INNOVATIVE SCIENCES, INC. (NASDAQ:CM – OCLS - \$1.76)**

Price Target: \$3.50

Rating: Speculative Buy

### COMPANY SNAPSHOT

Oculus is a healthcare company noted for its safe and effective tissue care products based upon the Microcyn® Technology platform which significantly reduces the need for antibiotics while reducing infections and accelerating healing. The Microcyn® Technology addresses the need for improved solutions in dermatology, oral care, cosmeceutical, wound care and other markets. It features a biocompatible, shelf-stable solution that is currently approved and commercialized in many of the world's largest markets. Several solutions derived from this platform have, in various studies, demonstrated the ability to treat antibiotic-resistant strains of bacteria (including MRSA and VRE), viruses; increase blood flow to the wound site; and reduce both inflammation and pain while assisting in faster wound closure.

### KEY STATISTICS

Price as of 6/28/11	\$1.76
52 Wk High – Low	\$2.65 – 1.41
Est. FD Shares Out.	26.5M
Market Capitalization	\$46.6M
3 Mo Avg Vol	66,000
Exchange	NASDAQ:CM

### COMPANY INFORMATION

Oculus Innovative Sciences, Inc.  
1129 North McDowell Blvd.  
Petaluma CA 94954  
707-283-0550  
[www.oculusis.com](http://www.oculusis.com)

Investor Relations:  
[dmcadden@oculusis.com](mailto:dmcadden@oculusis.com)

### INVESTMENT HIGHLIGHTS

Earlier this morning Oculus announced that its partner AmDerma Pharmaceuticals, an alliance member of Amneal Enterprises, has exercised its option to license rights to Oculus' acne drug candidate, which is based on the Company's Microcyn® platform technology

#### **Background**

Earlier this year, Oculus and Amneal alliance members signed a large scale, multi-year collaboration agreement to develop and commercialize Microcyn®-based products. Oculus has already received a \$500,000 payment for the opportunity to exclusively sell and market the topical acne treatment product, once approved, in the U.S. and Europe. Oculus retains the rights to market the product in the rest of the world.

AmDerma and Oculus will finalize the terms of the license and supply agreement, including other payments such as any other upfront arrangements, milestones and royalties, within the next 45-60 days.

#### **What Does This Mean for Oculus?**

AmDerma, a member of the fastest growing generic drug company in the U.S., has a large sales force focused in large part directly on the dermatological market, which is a major strategic advantage for quick market penetration, upon approval, which we expect could occur in the coming months. We should note that we have not factored any sales from this product in our \$14.0M FY12 revenue estimate.

The bottom line is that this likely give OCLS another arrow in its quiver, and that upon approval, both companies can hit the ground running.

OCLS' shares have risen 10% since we initiated coverage last week, versus 4.0% for the Russell 2000 Index, and we recommend using this news as a trigger for an entry point into the stock. We believe continued good news is forthcoming and that OCLS is a compelling story with huge upside and little downside risk. We rate Oculus a Speculative Buy with a \$3.50 six-month price target.

## Recent Trading History for OCLS

(Source: [www.stockta.com](http://www.stockta.com))



**Mid-Morning Alert****Analyst: Robert Goldman**

Rob Goldman has 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell-side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

**Analyst Certification**

I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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