

# The Center for Wound Healing, Inc.

**Specialty Health Care  
CFWH: OTC/BB**

**May 14, 2009**

## PROFILE

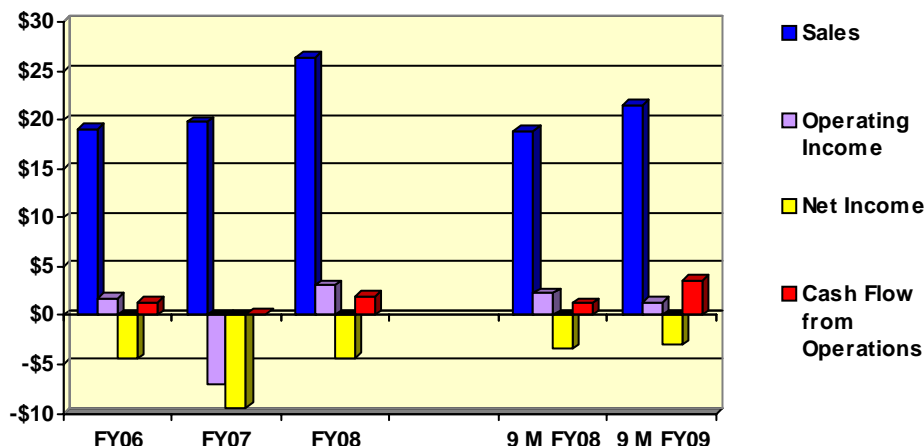
The Center for Wound Healing, Inc. (CFWH) operates comprehensive wound care centers in cooperation with hospitals in the Northeastern and Mid-Atlantic regions of the U.S. One of the Company's specialties is Hyperbaric Oxygen Treatment (HBOT), an advanced wound care treatment that is gaining in popularity among physicians due to a relatively high success rate, limited contra-indications and virtually no side affects.

The long-term outlook for wound care services is positive. A growing patient population and an expanding list of therapeutic uses for HBOT should cause the Company's target market to grow substantially over the next decade. One of the principal uses of wound care in general and HBOT in particular is for treatment of chronic wounds such as those suffered by diabetics. According to the Center for Disease Control more than 23 million Americans have diabetes and about 1.6 million new cases are diagnosed each year. New applications for HBOT are also being found each year such as preparation for oral surgery, brain and crush injuries, heart attack, and stroke.

CFWH is better positioned than ever to serve these patient groups with quality wound care services. New management completed a restructuring of the Company last year, turning heavy losses around to an 7.6% operating profit in the twelve months ending March 2009. Profitability has improved through a more effective management structure, adoption of electronic medical records and other automated systems, and more economically sound contractual arrangements with partner-hospitals.

CFWH maintains headquarters in Tarrytown, NY and has wound care centers in 35 locations in the New York, New Jersey, Massachusetts, Pennsylvania, and West Virginia. The corporate web site is [www.centerwh.com](http://www.centerwh.com).

## FINANCIAL PERFORMANCE



Dollars in millions; fiscal year ends June

Source: Company Reports

## MARKET DATA

Price: \$0.55 (5/13/09)  
 52 Wk Hi-Lo: 2.00 - \$0.05  
 Ave. Volume: 13 K  
 Short Interest: <1%  
 Beta: 1.10

## VALUATION

Price/Sales: 0.4 X  
 Price/CFO: 2.9 X  
 Price/EPS: Neg  
 Price/Book Value: 3.4 X

Based on TTM ending 3/31/09

Consensus EPS FY09: NA  
 Forward PE: NA  
 Consensus EPS FY10: NA  
 Forward PE: NA

## EQUITY SECURITIES

Common Shares Out: 24.5 M  
 Insiders: 47%  
 Float: 12.4 M  
 Institutional: 10%  
 5% Holders: 64%  
 Common Dividend: Nil  
 Dividend Yield: na  
 Options Out: 2.2 M  
 Warrants Out: 7.3 M  
 Preferred Shares Out: -0-  
 Preferred Stock: na  
 Preferred Dividend: na

As of 3/31/09

## INVESTMENT HIGHLIGHTS

### Positives

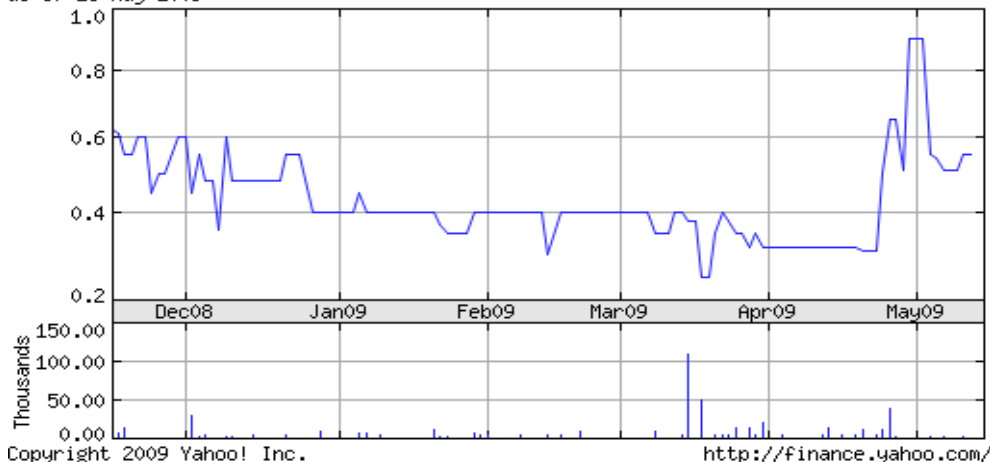
- Attractive market opportunity in U.S. wound care with positive trends in long-term demand and potential to increase addressable market
- Significant portion of U.S. market not yet served by HBOT centers; numerous hospitals with no wound care services
- Opportunity for competitive differentiation based on contractual relations and quality of service in highly fragmented wound care industry
- Expansion prospects through both organic growth and acquisition
- Capacity augmentation can be accomplished through the Company's proven business development program and nominal investment in capital equipment and working capital
- Revised contracting practices with partner-hospitals that provide for improved profit margins and reduced working capital requirements
- New electronic medical records system and other automated business processes that facilitate better management practices, leading to increased sales, improved margins and reduced business risk
- Strong leadership from new management, directors and advisors

### Negatives

- Relatively high leverage given size of operations
- Working capital reserves constrained by significant accounts receivable
- Potential for quarterly earnings variance due to the seasonal nature of health care services in general and wound care in particular
- Some reduction in near-term demand due to negative macro-economic trends that have reduced consumer demand for all goods and services, including health care
- Potential for reduction in insurance compensation rates for all health care services, including hyperbaric oxygen treatment
- Company is closely held by a few insiders whose shares total 47% of the outstanding shares
- CFWH shares are subject to price volatility and wide spread between bid and ask prices
- Potential dilutive effects from the exercise of outstanding options and warrants totaling 10.0 million shares.

## STOCK CHART

CENTER FOR WOUND HEAL  
as of 13-May-2009



## OUTLOOK

In our view, results in the March 2009 quarter demonstrated the Company remains on an upward trajectory in terms of sales growth and generation of cash flows by operations. The profit margin dipped slightly in the quarter on new personnel, but those new hires are expected to have a positive impact on sales in coming quarters. Utilization of the HBOT units rose to 6.3 dives per day per center in the quarter.

The Company is actively pursuing expansion opportunities. The new business pipeline includes as many as 140 hospitals with the characteristics targeted by the Company. During the FY3Q09 earnings conference call management indicated as many as five additional sites could be under contract by the end of 2009. Management may also consider acquisitions.

We believe CFHW shares are most suitable for the risk-tolerant investor with a lengthy enough investment horizon to accommodate the price volatility and limited liquidity that are characteristic of the stock.

## INDUSTRY CALENDAR

- June 14-17, 2009 - **Health-care Finance Conference**, Seattle, WA
- June 25-27, 2009 - **Undersea & Hyperbaric Medical Society Annual Meeting**, Las Vegas, NV
- June 30-July 1, 2009 - **Wounding Healing for Hospitals & Clinics**, Chicago, IL
- September 15-16, 2009 - **Wound Expo 2009**, Manchester, UK

## COMPANY HISTORY

**May 2005** - Organized as American Hyperbaric, Inc.

**Dec. 2005** - Reverse merger with public shell corporation

**April 2006** - acquisition of twelve HBOT centers and \$5.5 million expansion financing

**June 2006** - Acquisition of Far Rockaway Hyperbaric Center

**Jan. 2007** - New chief executive officer appointed

**Feb. 2007** - Default on 2006 convertible debentures

**May 2007** - Restructure of convertible debentures

**June 2007** - Asset impairment charge \$2.1 million

**Mar. 2008** - \$20 million secured subordinated financing and retirement of debentures

**Dec. 2008** - \$8.0 million line of credit with Signature Bank

## KEY SHAREHOLDERS

- ♦ The Elise Trust - 18%
- ♦ Phillip Forman, Director - 18%
- ♦ John Capotorto, Director - 20%
- ♦ John DeNobile, Director and Founder - 9%

Source: Company Reports

## RELATIONSHIPS

- ♦ Bison Capital Equity Partners - major creditor
- ♦ Signature Bank - primary bank lender
- ♦ Raich Ende Malter & Co., LLP - auditor
- ♦ American Association of

## BUSINESS DESCRIPTION

The Center for Wound Healing provides wound care services including Hyperbaric Oxygen Therapy (HBOT) to outpatients in partnership with hospitals. The Company signs multi-year, revenue-sharing contracts with hospitals, which typically involve cost-sharing arrangements for capital equipment and office fixtures. Management targets hospitals with a minimum of 120 beds and at least 8,500 patient discharges per year. The current business pipeline includes as many as 150 hospitals considered strong candidates for new wound care services. Management expects to complete at least five new contracts by the end of 2009.

In the most recent twelve-months, each of the Company's thirty-five centers was profitable. Investment in an electronic medical records system is leading to greater efficiencies in scheduling and patient follow-up. In turn, utilization rates measured in terms of "dives" per HBOT chamber are increasing. The addition of regional managers, clinical liaison specialists and marketing associates is also driving both HBOT and traditional wound care sales. More favorable contractual arrangements with partner-hospitals should result in accelerated payments and lower working capital requirements to cover accounts receivable.

We believe there is considerable operating leverage in the Company's business model. We estimate an increase in average "dives" from the current 6.3 to 7.0 per center per day, as an example, would provide a 10.0% increase in revenue from the HBOT segment with no additional capital investment and only nominal incremental variable expenses. Current insurance reimbursement per HBOT treatment is \$495.

## SERVICES

The Company's wound care centers feature one to four hyperbaric chambers, which are operated throughout most of the business day. A variety of other advanced wound care procedures are also offered at two-thirds of the centers. Each center is staffed by medical technicians and nurses under supervision of a physician from the partner-hospital.

Hyperbaric Oxygen Therapy (HBOT) is a treatment mode in which the patient is entirely enclosed in a pressure chamber breathing oxygen at a pressure greater than one atmosphere. HBOT physically forces extra oxygen into the blood plasma. Breathing pure oxygen at greater than normal pressure delivers as much fifteen times oxygen to tissues as breathing room air. This promotes formation of new capillaries into wound areas and reduces edema in injured tissues.

HBOT provides a significant increase in tissue oxygenation in the wound. It influences the rate of collagen deposition, angiogenesis, and bacterial clearance in wounds. The greatest benefits are achieved in tissues with compromised blood flow and oxygen supply.

HBOT treatments are performed for 90 to 120 minute intervals of oxygen breathing. The initial treatment schedule is dictated by the severity of the disease process. For example, in the presence of limb-threatening infection after debridement or compromised tissue following surgery, patients might be treated twice daily. When the infection is under control, the treatment frequency may be reduced.



## GROWTH DRIVERS

- ♦ Aging population
- ♦ Increased incidence of diabetes
- ♦ Increased acceptance of HBOT as a cost effective treatment
- ♦ Effectiveness of HBOT in use with other wound care options
- ♦ Emphasis on preventative care

## TARGET MARKETS

- ♦ Skin-ulcer treatment
- ♦ Diabetic wounds
- ♦ Crush injuries
- ♦ Pre-treatment for certain oral surgeries
- ♦ Burns and infections
- ♦ Acute brain and spinal cord injuries
- ♦ Oral surgery
- ♦ Carbon monoxide poisoning

## PEERS

- ♦ Diversified Clinical Services
- ♦ National Healing
- ♦ Exelicare
- ♦ Hyperbaric & Wound Care Associates
- ♦ Oxyheal Health Group
- ♦ Hyperbaric Services of America

## WOUND CARE OPTIONS

- ♦ **Traditional wound care**  
Bandages, gauzes and glues  
Dressings and cleansing
- ♦ **Advanced wound care**  
Hydrogels, hydrocolloids  
Alginates, foams and films  
Anti-microbial silver
- ♦ **Active wound care products**  
Negative pressure devices  
Artificial skin  
Biological growth factors
- ♦ **Active wound care therapies**  
Electrical stimulation  
Whirlpool therapy  
Hyperbaric oxygen treatment

## MARKET OPPORTUNITY

New wound care therapies are coming into the market at an increasing pace. Disease management programs that emphasize preventions and early intervention are resulting in the rapid adoption of those wound care products and therapies than can improve outcomes. According to Frost & Sullivan, a leading market research firm, the chronic wound care market is “one of the best opportunities in medical devices and biotechnology.”

The wound care market can be divided in several sub-segments: anti-infectives, conventional dressings and cleaners, moist dressings, biological dressings, pressure relief and other advanced treatments such as hyperbaric oxygen therapy (HBOT) and electrical stimulation.

HBOT has been used to treat many clinical conditions since the 1930s, but because of a lack of research into its physiological effects, many practitioners were reluctant to use it. Only in the last ten years has HBOT become widely accepted. Clinical reports have found HBOT an effective adjunctive therapy for a variety of conditions, including severe burns, wounds, osteomyelitis, fungal and bacteria infections, carbon-monoxide poisoning and decompression syndrome (the “bends”).

In the last few years, the use of HBOT has been expanded for many other conditions such as brain injury and crush injuries. We expect the use of HBOT to expand into even more areas such as treatment for stroke and heart attack, among other applications that could be approved for reimbursement by Medicare and private insurance. The National Institute of Health recently awarded a grant to study the use of HBOT to treat the side effects of radiation therapy.

One of the major attractions for HBOT is the lack of complications or side effects. Additionally, there are few contra-indications, making it a likely therapy for nearly any patient. HBOT is also complementary to other wound care treatments and is frequently used to accelerate the healing process even as other treatments are continued.

Two wound care providers, Diversified Clinical Services and National Healing, have established national footprints with 300 and 150 locations, respectively. The Center for Wound Healing ranks third in the industry by number of centers. The balance of the highly fragmented industry is populated by small service providers that operate within local markets. The Company also faces competition from hospital-based programs.

## GEOGRAPHIC FOOTPRINT



The Company operates thirty-five centers in five states in the Northeastern and Mid-Atlantic regions of the U.S., including Massachusetts, New York, New Jersey, Pennsylvania and West Virginia. Twenty-one of the centers offer both HBOT and traditional wound care.

## LEADERSHIP

**Andrew Barnett, CEO and CFO** - since 2007; previously principal of a financial and management consulting firm, Morris Anderson & Associates; experience in strategic planning and financial restructuring;

**David Walz, President** - since 2006; previously COO from 2003 to 2006; extensive experience in hospital operations, financial management and strategic planning

**Paul Basmajian, Director** - since 2006; senior managing partner and director of the Bank of New York ESI & Co.; director of trading operations for the Bank of New York

**Louise Bisette, Director** - since 2007; co-founder of Bison Capital Equity Group; experience in private equity financing

**John Capotorto, Director and Co-Chief Compliance Officer** - previously senior officer of predecessor company; board certified physician and accredited in hyperbaric medicine.

**John DeNobile, Director and Founder** - currently president of Aaccess, Inc, a developer of imaging and diagnostic technologies

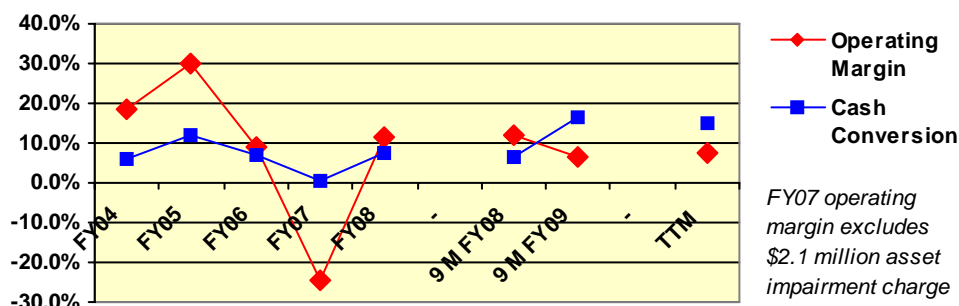
**Phillip Forman, Director and Co-Chief Compliance Officer** - previously CEO of predecessor company; doctor of podiatry; doctoral degree from Pennsylvania College of Podiatric Medicine

**David Meyrowitz, Director** - since 2006; partner in the law firm of Kamerman Meyrowitz & Soniker; admitted to New York Bar in 1971

**Douglas Trussler, Director** - since 2007; partner of Bison Capital Equity Group; extensive capital markets experience

## OPERATING RESULTS

	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>9 M FY08</u>	<u>9 M FY09</u>	<u>TTM</u>
Sales	\$19.1	\$19.8	\$26.4	\$18.9	\$21.5	\$29.0
Oper. Inc.	\$ 1.7	(\$ 7.0)	\$ 3.1	\$ 2.3	\$ 1.4	\$ 2.2
Net Inc.	(\$ 4.5)	(\$ 9.4)	(\$ 4.3)	(\$ 3.4)	(\$ 3.0)	(\$ 3.9)
CFO	\$ 1.3	\$ 0.1	\$ 2.0	\$ 1.2	\$ 3.6	\$ 4.4
EPS	(\$0.28)	(\$0.41)	(\$0.19)	(\$0.15)	(\$0.13)	(\$0.17)
Capex	\$ 1.3	\$ 2.6	\$ 3.4	\$ 2.8	\$ 1.5	\$ 2.1
FCF	(\$ 0.3)	(\$ 2.5)	(\$ 1.4)	(\$ 1.6)	(\$ 2.1)	\$ 2.3



Source: Company Reports and Crystal Equity Research Estimates

## CAPITALIZATION

Recent Price:	\$0.55
Shares Out:	24.5 M
Market Capital:	\$13.5 M
+ Preferred Stock	-0-
+ Debt*	\$23.8 M
- Cash	<u>\$ 0.3 M</u>
Enterprise Val:	\$37.0 M
Book Value:	\$3.8 M
Working Capital:	\$8.9 M
Days Sales Outstanding:	
3/31/09	218 days

\*Includes current portion \$4.6 mln.

Balance sheet figures as of 3/31/09

## BALANCES

	<u>6/08</u>	<u>3/09</u>
Cash	\$ -0-	\$ 0.3
Current assets	\$14.6	\$17.3
PP&E, net	\$ 8.9	\$ 8.3
Total assets	\$32.5	\$32.0
Accts. Payable	\$ 3.8	\$ 3.2
Cur. Liabilities	\$10.4	\$ 8.4
Long-term debt	\$16.1	\$19.3
Equity	\$ 5.3	\$ 3.8

Dollars in millions

Source: Company Reports

## CAPITAL NEEDS

### New Wound Care Centers

Capex - \$250,000 per center  
Working Capital - \$24,000 per center

### Debt Repayment - 2009

Capital Leases - \$0.2 mln.  
Notes payable - \$2.5 mln.  
ST borrowings - \$2.1 mln.

### Existing Wound Care Centers

Annual maintenance - \$500 per hyperbaric unit per year



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