Baptista Research

August 10, 2022

INITIATING COVERAGE

Equity | Consumer Goods/ Oral Care

Bruush Oral Care, Ltd.
(NASDAQ:BRSH; Target Price: $5.64)

Key Report Highlights	
Industry View:	Attractive
Stock Rating:	Buy
Price Target:	$5.64
Current Price:	$2.52
52-Week-Range:	$1.79 - $3.88

Electric and smart toothbrushes are a classic example of how the rise of new technological innovations has changed the most mundane of aspects of our day-to-day life. A task as mundane as brushing our teeth every morning and evening has been made more efficient through the use of electric toothbrushes. While these kinds of toothbrushes have been in the market for many years, with Oral-B (Procter & Gamble) and Philips, dominating the market, consumer adoption has been limited given the premium pricing of electric toothbrushes. Bruush Oral Care is out to change this. The company is making highly advanced and sophisticated electric toothbrushes with sonic technology and making them available to the average American consumer at very reasonable prices.

Annual Income Statement	2021	2022E	2023E
Revenues	1.97	3.87	9.21
Cost of Goods Sold	-0.98	-1.93	-4.57
Gross Income (excl. D&A)	2.95	5.80	13.78
EBITDA	-4.10	-4.16	-1.66
EBIT (incl. extraordinary exp)	-4.11	-4.21	-1.71
Net Income	-4.21	-4.21	-1.71
Cash from Operations	-0.67	-0.89	-1.69
Free Cash Flows	-0.69	-0.91	-1.71

INVESTMENT THESIS

This is our first report on Bruush Oral Care and we look to provide a detailed account of the drivers that will propel the stock in the near future. Bruush got listed recently and its stock price has been volatile but has maintained a more or less sideways trajectory in this short period of time. The most recent round of funding for the business is anticipated to support management's efforts to increase subscriber numbers, which are a source of recurring income. They could export to markets outside of North America where there is less fierce competition. Additionally, it is anticipated that the company will experience significant growth once it begins to sell its supplemental oral care items, such as toothpaste, mouthwash, dental floss, whitening products, and electric toothbrushes made especially for kids, in 2022 and later. With the help of these new products, they have the opportunity to increase the number of touch points in their retention funnel, fortify their relationships with current clients, raise the average order value, and increase their monthly recurring revenue. Bruush's long-term goal to "own the bathroom" could very well come true, which is why we are extremely bullish on the company's stock. Overall, we believe that Bruush Oral Care has phenomenal growth prospects and is an excellent investment prospect. Baptista Research looks to evaluate the different factors that could influence Bruush Oral Care's price in the near future and attempts to carry out an independent valuation of the company using a Discounted Cash Flow (DCF) methodology to determine a suitable price for the company's stock.

Growth & Margins	2021	2022E	2023E
Sales Growth	838.1%	96.4%	138.0%
EBITDA Margin	-208.1%	-107.4%	-18.0%
EBIT Margin	-208.6%	-108.7%	-18.5%
Net Profit Margin	-213.7%	-108.7%	-18.5%

Valuation Ratios	2021	2022E	2023E
EV/ Sales	17.8	22.3	11.2
EV/ EBITDA	-8.6	-20.8	-62.3
EV/ EBIT	-3.8	-20.5	-91.0
Price/Earnings	-8.4	-20.6	-91.0

COMPANY OVERVIEW

Bruush operates in the domain of oral care and its flagship product is smart electric toothbrushes. The company's brushes cost $79 and include brush heads, magnetic charging stands, USB power adapters, travel cases, and rechargeable batteries. For a cost of $18, subscribers to its subscription-based service can purchase 3 toothbrush heads every six months. With the help of the company's brushes, customers can have healthy, strong teeth that are also simple to clean of plaque and stains. As of today, the company caters primarily to North America where customers can purchase high-end, opulent-appearing electric toothbrushes from Bruush. With its extremely competitive pricing, the company hopes to undermine the electric toothbrush industry. By introducing a number of cutting-edge subscription-based consumable oral care products, such as toothpaste, dental floss, mouthwash, a whitening pen, and an electric toothbrush suitable for children, the management also plans to diversify their product line. The company is headquartered in Toronto, Ontario.

KEY FACTORS DRIVING THE COMPANY'S PERFORMANCE

1. INDUSTRY LANDSCAPE, VALUE PROPOSITION & CUSTOMER TARGETS
2. ADDREASSABLE MARKET & COMPETITIVE ENVIRONMENT
3. BRANDING & SALES STRATEGY
4. HIGHLY EXPERIENCED MANAGEMENT TEAM

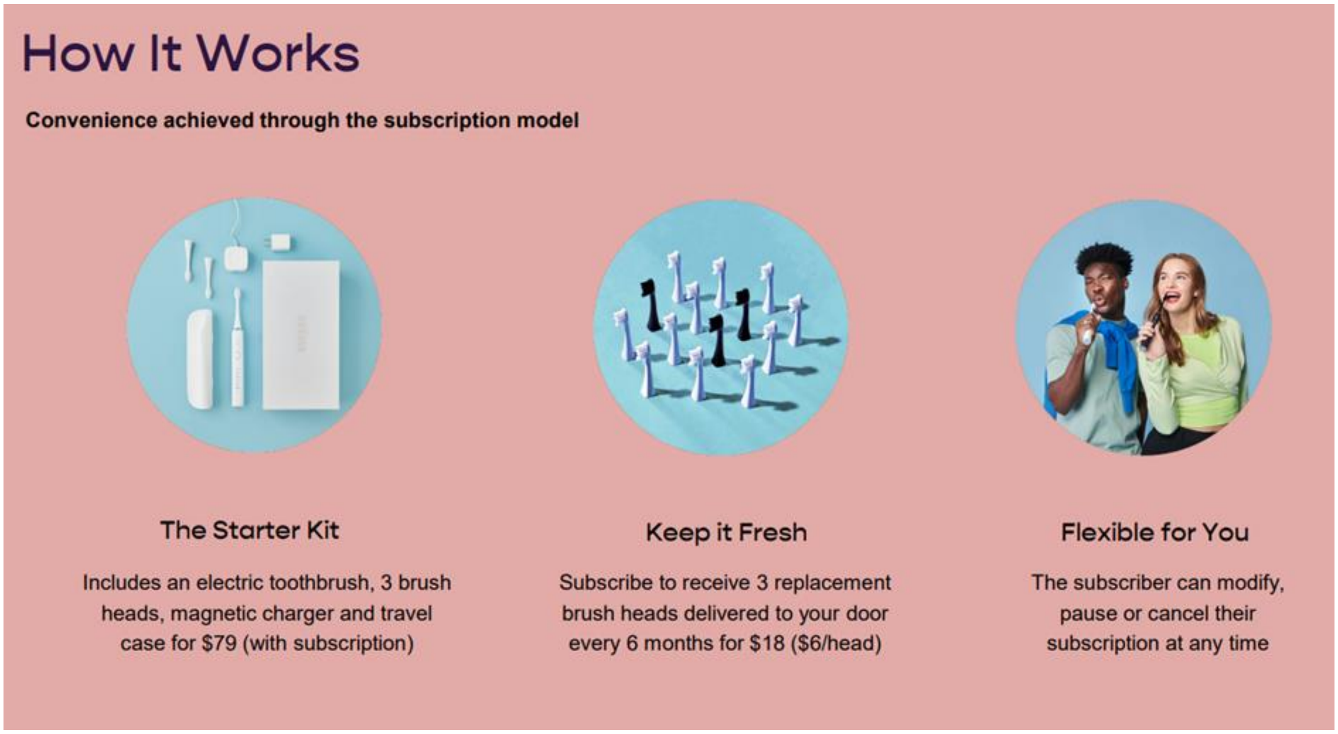
Industry Landscape, Value Proposition And Customer Targets

- With the evolution of technology, switching from manual to electric brushes is now much more appealing and cost-effective. Bruush has a strong market opportunity in a duopolistic electric toothbrush market.

- Using a direct-to-consumer business model, the company eliminates the middleman and offered consumers a premium electric toothbrush at a lower cost than a model from the competition in the same category.

- The Bruush Toothbrush comes equipped with a number of features, such as sonic technology that produces over 31,000 brush strokes per minute, six different cleaning modes, and a smart timer that pauses after every 30 seconds to remind the user to move the toothbrush to a different quadrant of their mouth and shuts off after two minutes.

- Additionally, the brush has a battery that can be recharged and lasts an amazing four weeks. To make their brushes more comfortable, they also use extra soft DuPont Tynex bristles.



Source: Company Presentation

- We can see an apt summary of the company's subscription offering in the above snapshot. Bruush's subscription program also enables customers to avoid unnecessary store visits while ensuring that they can routinely replace their brush heads to support good oral health.

- Every six months, the subscription service automatically sends a three-pack of brush heads. In addition, they remind subscribers via email every two months that it is time to switch out their brush heads.

- Although customers always have the option to easily cancel their subscriptions, the company has a strong hold on its clientele, and the churn rate is minimal.

- The three standard colours of black, white, and pink, as well as a number of trend-driven seasonal hues that are released in small quantities, have been added to the brush lineup in an effort by the management to make them among the most fashionable-looking brushes on the market.

- It is interesting how the industry landscape for electric toothbrushes can be compared to the market for razors. Before Harry's and Dollar Shave Club, with their direct-to-consumer strategies and a focus on millennials, disrupted the razor market, it was a duopoly dominated by Gillette and Schick.

- Bruush is in the exact same position seeing the duopoly of Philips and Oral-B and it implies that the company is in a sweet spot in terms of market positioning today. We can see the comparative analysis of the 2 industries in the snapshot below and it gives us a reason to believe that Bruush is sweetly positioned.

Big Online Opportunity Exists

Similar conditions exist to the razor market prior to Dollar Shave Club & Harry's

HARRY'S

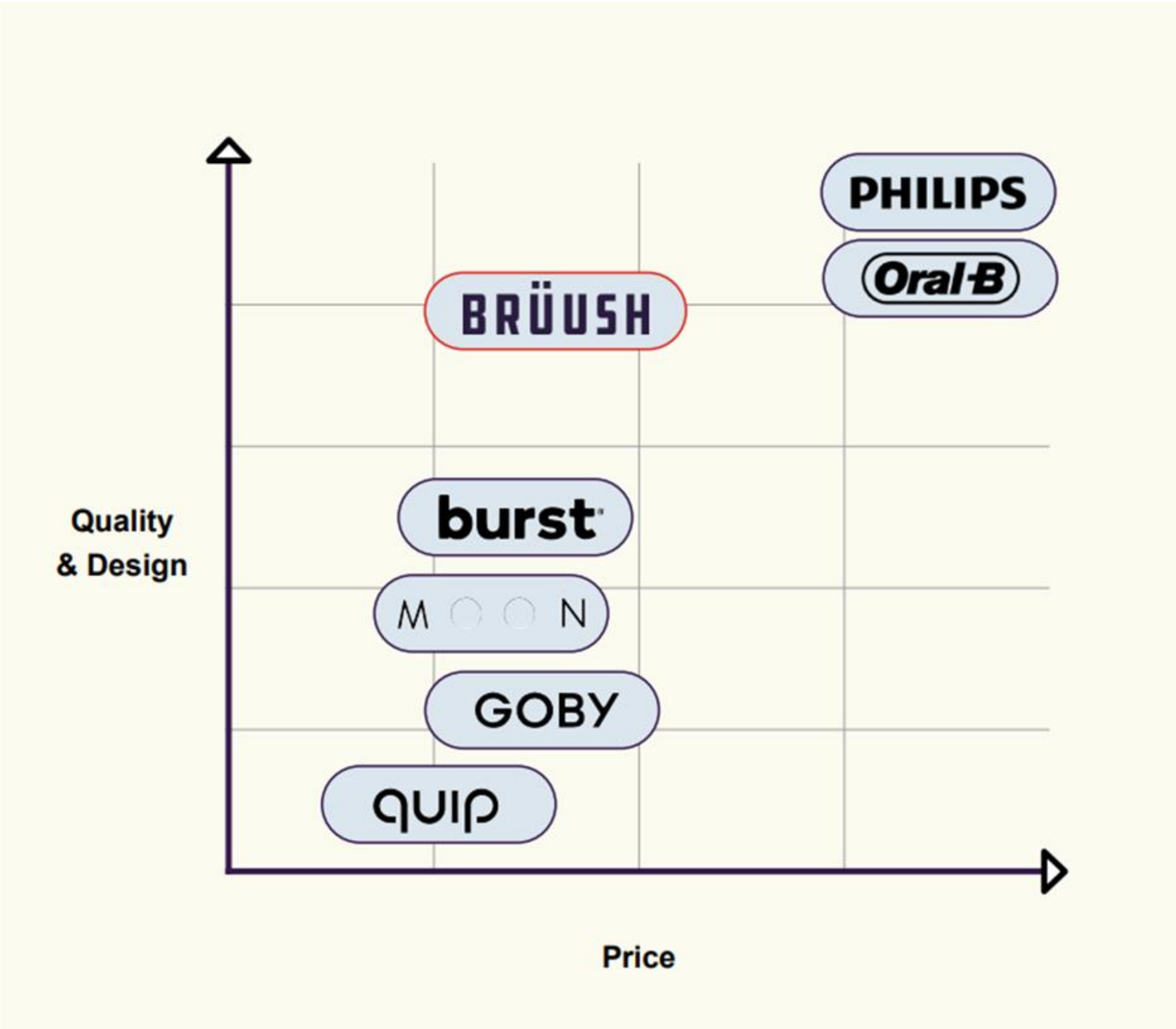
	Electric Toothbrush Industry	Traditional Razor Industry		Dollar Shave Club/Harry's
Market Dynamics	Duopoly (Philips Sonicare, Oral-B)	Duopoly (Gillette, Schick)		Startup / 'Disruptor'
Distribution Model	Tied to traditional brick-and-mortar (negative buying experience and limited ability to lower prices)	Same	VS	Online, direct-to-consumer
R&D Focus	Incremental feature improvements (e.g. increasing # of brush modes)	Same (e.g. increasing # of blades)		Improving buying experience & lowering price
Design	Less focused on design; more "medical-device" like	Same		Core focus from packaging to actual product
Marketing strategy	Traditional initiatives (e.g. TV ads, print media)	Same		Digital growth marketing, focused on millennials

Source: Company Presentation

Addressable Market & Competitive Environment

- As per the research provided by Prescient & Strategic Intelligence, the market for electric toothbrushes, which was valued at $2.7 billion in 2019, is expected to increase at a CAGR of 5.7% from 2020 to 2030 and reach $4.8 billion.
- This market is being significantly influenced by a number of factors, including the increasing popularity of smart toothbrushes and their benefits.
- According to some studies, these toothbrushes outperform manual toothbrushes. The oral health of an individual can be harmed by unhealthy eating practises like a high intake of sugary foods, chewing tobacco, and alcohol use.
- These elements are critical to growing the electric toothbrush market because of the rising demand for smart brushes. Another factor driving the growth of this market is the ageing population, unhealthy eating habits, increase in oral hygiene campaigns, and increased knowledge of the benefits of using electric toothbrushes.
- It is worth mentioning that the pandemic had an impact on the electric toothbrush industry through reduced demand as a result of individuals' lower monthly incomes, the closing of factories in all regions to protect workers, which led to lower production, limitations on the capacity of ports to handle goods, and severe financial hardship.

- After the pandemic headwinds subsided, however, there has been a sharp increase in demand for these brushes. In the near future, the market expansion can be significantly boosted by a number of cutting-edge technologies found in toothbrushes like those provided by Bruush.



Source: Company Presentation

- As discussed early, the electric toothbrush market, while having a lot of potential, has largely been duopolistic in nature with Oral-B and Philips being the dominant players.

- However, their excessive premiumization has led to a large portion of the market being untapped by them which is where companies like Goby and Quip have entered.

- These players are all providing a relatively lower quality product with less features because they are charging a lower price for it.

- As we can see in the above snapshot, Bruush has positioned itself sweetly between these 2 extremes, delivering a high-quality, feature-rich product at a lower price point. The company's production is in China which means it can maintain this low price point.

Branding And Sales Strategy

- Bruush has created a strong competitive differentiation from the competition by developing a distinct and personable brand identity that appeals to a younger audience, including Generation X, millennials, and Generation Z.
- This is why the management has been successful in onboarding up to 28,000 subscribers so far and has a lofty goal of 1 million subscribers in the near future.
- The company's brand identity was developed through the use of vibrant colours and forceful expressions, supercharged content that aligns with its goal of shaking up the conventionally uninteresting oral care category, and supercharged content production.
- This content is used on their website, in their paid marketing campaigns, and on social media. They also create omnichannel content alongside their campaign assets thanks to customer enthusiasm and organic seeding programs, which results in a steady stream of user-generated content and brand mentions.
- Bruush's media exposure has also successfully established the brand by combining creative pitching, tactical product seeding, and reactive public relations.
- Including articles in the Wall Street Journal, Rolling Stone, New York Times, Vogue, Refinery29, Allure, and New York Times, the business received more than 200 press placements in 2021 that contributed to the growth of its brand.
- The key performance indicators on their website have increased as a result of these esteemed publications linking to them, which aided in search engine optimization for up to 48 hours after new placements.
- Additionally, Brush's marketing team are very active on social media, given that they place a lot of emphasis on attracting customers between the ages of 18 and 45.
- The company also has celebrity endorsements from Kevin Hart, which will undoubtedly have a long-term effect on subscriptions. Bruush hopes to establish a more meaningful relationship with its target audience and boost brand engagement after creating a robust community.
- It is worth highlighting that they have focused their main social media efforts on Instagram, where they currently have more than 28,000 followers. In addition, as part of their social media strategy, the team has collaborated with over 200 on-brand influencers, ranging from micro-influencers to well-known individuals.

Experienced Management Team

- Bruush has a highly experienced team at its helm with diverse backgrounds, having strong track records of scaling businesses. The company is spearheaded by Founder & CEO, Aneil Manhas who has over 15 years of experience working in the financial services sector and serving as CEO of previous companies.

- He most recently served as the CEO of Surface 604, an electric bike company he founded and developed into one of North America's leading e-bike brands, from 2015 to 2019.

- He also served as the president and chief executive officer of GVA Brands or Rosso Sports from 2014 to 2019, a business he bought and built into Canada's market leader in entry-level Powersports.

- Mr. Manhas has many other big names on his CV such as Credit Suisse (investment banking) and Onex Corporation (investment management & private equity).

- The company's Chief Operations Officer, Alan MacNevin, oversees all aspects of operations, and drives strategic growth by managing the scale of digital commerce, the implementation of strategic partnerships, and the introduction of new products, and the expansion into new geographic markets.

- Mr. MacNevin joins the company from Rakuten Kobo, where he spent the last ten years in a variety of executive roles, most recently serving as Chief Operating Officer and overseeing the day-to-day operations of the company's international operations.

- He also served as a member of the Sirius Satellite Radio executive team. Additionally, Mr. MacNevin has held senior marketing and operational positions at Bell Mobility, Chapters-Indigo Online, and the Canadian Broadcasting Company.

- Last but not the least, Matthew Kavanagh, the company's Chief Financial Officer has more than 15 years of experience in a number of leaderships, managerial, financial, accounting, regulatory compliance, assurance, tax, and advisory roles.

- Before joining Bruush, he served as Vice President of finance for Zenabis Global Inc., where he built the finance department from the ground up to oversee all accounting, inventory costing, finance, reporting, budgeting, tax, and payroll functions.

- Through the reverse takeover of Bevo Agro Inc. and subsequent up listing from the TSX Venture Exchange to the Toronto Stock Exchange, Mr. Kavanagh oversaw the finance department.

- Furthermore, he worked as an assurance and advisory manager at Deloitte LLP in Vancouver, British Columbia, and BDO USA, LLP in Madison, Wisconsin.

- Overall, Bruush appears to be in able and experienced hands and is well-positioned to make the most of the large market opportunity.

HISTORICAL FINANCIAL STATEMENTS & PROJECTIONS

Income Statement	1/31/20	10/31/21	LTM
Total Revenues	**0.21**	**1.97**	**2.62**
Cost of Goods Sold	-0.07	-0.98	-1.30
Gross Profit	**0.14**	**0.99**	**1.32**
Selling General & Admin Expenses	-1.45	-5.00	-6.66
Other Expenses/ Adjustments	-0.05	-0.09	-0.12
EBITDA	**-1.36**	**-4.10**	**-5.46**
Depreciation & Amortization	0.00	-0.01	-0.01
Other Operating Expenses/ Income	-1.50	-5.10	-6.80
Operating Income	**-1.36**	**-4.11**	**-5.48**
Interest Expense	-0.02	-0.06	-0.08
Currency Exchange Gains (Loss)	0.00	0.04	0.06
Other Non Operating Income (Expenses)	0.00	-0.08	-0.11
EBT Incl. Unusual Items	**-1.38**	**-4.21**	**-5.62**
Net Income	**-1.38**	**-4.21**	**-5.62**
Net Income to Common Incl Extra Items	**-1.38**	**-4.21**	**-5.62**
Diluted EPS Excl Extra Items	-0.34	-0.28	-0.37
Weighted Average Diluted Shares Outstanding	4.07	15.17	15.17
% Change YoY		272.70%	0.00%

- Let us start off with analyzing the most recent and historical data reported by the company. When we analyze the company's annualized historical income statement, we see that the top-line was $2.62 million for the trailing 12-month period.

- The revenue growth was more than 10 times from the 2020 numbers which is truly phenomenal and largely a function of the increased marketing activity resulting in a higher number of subscriptions.

- The company’s growth continued in 2022 after reporting a top-line of $1.97 million for the year ended 2021.

- The company's overall annual EBITDA has been negative mainly because the management is aggressively spending on brand building and attracting subscribers.

- In the electric toothbrush business, the customer lifetime value is high as the chances of consumers shifting back to non-electric toothbrushes is slim. Hence, the positive effect of the marketing efforts should help the company break even in 2023

- In terms of the bottom-line, Bruush Oral Care reported an operating income (EBIT) of $-5.48 million and a net income of $-5.62 million.

Balance Sheet	1/31/20	10/31/21	LTM
Cash And Equivalents	0.18	0.01	0.01
Accounts Receivable	0.00	0.04	0.04
Other Receivables	0.01	0.12	0.12
Notes Receivable	0.00	0.00	0.00
Total Receivables	**0.01**	**0.16**	**0.16**
Inventory	0.60	0.85	0.85
Prepaid Expenses	0.00	0.01	0.01
Total Current Assets	**0.80**	**1.03**	**1.03**
Gross Property Plant And Equipment	0.00	0.01	0.01
Accumulated Depreciation	0.00	0.00	0.00
Net Property Plant And Equipment	**0.00**	**0.01**	**0.01**
Other Intangibles	0.00	0.01	0.01
Total Assets	**0.80**	**1.05**	**1.05**
Accounts Payable	0.26	2.30	2.30
Accrued Expenses	0.02	1.07	1.07
Short-term Borrowings	0.43	0.03	0.03
Unearned Revenue Current	0.00	0.02	0.02
Other Current Liabilities	0.00	1.58	1.58
Unearned Revenue Current	0.00	0.00	0.00
Other Current Liabilities	0.00	0.00	0.00
Total Current Liabilities	**0.71**	**4.99**	**4.99**
Long-Term Debt	0.00	0.00	0.00
Capital Leases	0.00	0.00	0.00

Total Liabilities	**0.71**	**4.99**	**4.99**
Common Stock	4.30	13.28	13.28
Retained Earnings	-4.52	-17.62	-17.62
Comprehensive Income and Other	0.30	0.40	0.40
Total Common Equity	**0.08**	**-3.94**	**-3.94**
Total Equity	**0.08**	**-3.94**	**-3.94**
Total Liabilities And Equity	**0.80**	**1.05**	**1.05**
Total Shares Out. on Filing Date	**13.95**	**13.95**	**13.95**

- The company does not pay any dividend.
- Bruush's total common shares outstanding are expected to increase through share issuances as it will require more capital for marketing.
- The receivables turnover helps quantify a company's effectiveness in collecting the money owed by clients and demonstrates how well it uses and manages the credit it extends to customers.
- The company has a very low level of receivables given its subscription model and direct-to-consumer approach.
- The inventory turnover shows the number of times a given company has sold and replaced inventory during the year and is an indicator of how many days of working capital is blocked in inventory.
- Bruush needs to keep the inventory days ratio as low as possible so that it doesn't end up blocking too much capital in inventory.
- The accounts payable turnover is a short-term liquidity measure used to quantify the rate at which a company pays off its suppliers. It shows how many days of credit a company gets from its suppliers.
- As per the days payable, the company takes significantly long period to pay off its creditors which appears to be on the higher side and implies that it gets a lot of credit.

Cash Flow Statement	**1/31/20**	**10/31/21**	**LTM**
Net Income	**-1.38**	**-4.21**	**-5.62**
Depreciation & Amortization	0.00	0.00	0.00
Amortization of Goodwill and Intangible Assets	0.00	0.00	0.00
Total Depreciation & Amortization	**0.00**	**0.01**	**0.01**
Stock-Based Compensation	0.00	0.10	0.14
Other Operating Activities	0.00	0.09	0.12
Change In Accounts Receivable	-0.01	-0.08	-0.11

Change In Inventories	-0.26	0.40	0.54
Change In Accounts Payable	0.19	3.06	4.08
Change in Unearned Revenues	0.00	-0.07	-0.10
Change in Other Net Operating Assets	0.00	0.04	0.05
Cash from Operations	**-1.46**	**-0.67**	**-0.89**
Memo: Change in Net Working Capital	-0.08	3.34	4.46
Capital Expenditure	0.00	-0.01	-0.01
Sale (Purchase) of Intangible assets	0.00	-0.02	-0.02
Cash from Investing	**0.00**	**-0.02**	**-0.03**
Total Debt Issued	0.00	0.01	0.02
Total Debt Repaid	-0.08	0.00	0.00
Issuance of Common Stock	1.35	0.00	0.00
Other Financing Activities	0.30	0.00	0.00
Cash from Financing	**1.58**	**0.01**	**0.02**
Net Change in Cash	**0.12**	**-0.68**	**-0.90**

- Moving on to the company's historical annualized cash flow statement, when we analyze the operating cash flows, we see that it is burning cash for now as it has deployed most of its capital for marketing and buying inventory.
- Its cash flow from investment activities is expected to go up as the management might look to deploy capital to carry out acquisitions.
- The company might require additional rounds of financing in order to add more inventory particularly to fuel the expansion in the U.S. market.

. .

Ratios	**8/31/16**	**8/31/17**	**12/31/18**
Return Ratios:			
Return on Capital %	-262.50%	139.90%	139.90%
Margin Analysis:			
Gross Profit Margin %	67.90%	50.20%	50.20%
SG&A Margin %	699.30%	254.30%	254.30%
EBITDA Margin %	0.00%	-208.80%	-208.80%
EBITA Margin %	-656.70%	-208.90%	-208.90%

EBIT Margin %	-656.70%	-209.10%	-209.10%
Income From Continuing Operations Margin %	-664.80%	-214.30%	-214.30%
Net Income Margin %	-664.80%	-214.30%	-214.30%
Normalized Net Income Margin %	-415.50%	-133.90%	-133.90%
Net Avail. For Common Margin %	-664.80%	-214.30%	-214.30%
Asset Turnover:			
Asset Turnover	26.00%	250.00%	2.5
Working Capital Turnover	244.00%	-66.00%	-0.66
Short Term Liquidity:			
Current Ratio	1.12	0.21	0.21
Quick Ratio	0.27	0.04	0.04
Op Cash Flow to Current Liab	-2.05	-0.18	-0.18
Long-Term Solvency:			
Total Debt / Equity	510.80%	-0.70%	-0.70%
Total Debt / Capital	83.60%	-0.70%	-0.70%
Total Liabilities / Total Assets	89.30%	475.50%	475.50%
EBIT / Interest Expense	-8839.00%	-68.28	-68.28
EBITDA / Interest Expense	NA	-68.19	-68.19
(EBITDA - Capex) / Interest Expense	NA	-68.29	-68.29
FFO Interest Coverage	-94.73	-11.15	-11.15
FFO to Total Debt (x)	-3.36	-32.97	-32.97
Net Debt / (EBITDA - Capex)	NA	NA	NA

- The company has a very low level of payables and very low current liabilities.
- The total asset turnover ratio measures the value of a company's sales or revenues relative to the value of its assets. The higher the asset turnover ratio, the more efficient a company is, with respect to using its assets to generate revenues.
- Bruush Oral Care's total assets turnover has been low as its procurement is from China and it is not required to invest significantly in fixed assets.
- Return on assets is an excellent indicator of how efficient a company's management is in generating earnings from their economic resources or assets on their balance sheet.
- On the other hand, the return on equity of a company measures the value creation of the management and profitability in relation to stockholders' equity.
- The company's RoA is and its RoE are negative as it is loss making.

Financial Forecasts	2021	2022E	2023E	2023E
Total Revenues	1.97	3.87	9.21	16.39

% Change YoY		96.45%	137.98%	77.96%
Cost of Goods Sold	-0.98	-1.93	-4.57	-8.12
% Margin	-49.75%	-49.80%	-49.60%	-49.55%
Gross Profit	0.99	1.94	4.64	8.27
% Margin	50.25%	50.20%	50.40%	50.45%
EBITDA	-4.10	-4.16	-1.66	1.87
% Margin	-208.12%	-107.42%	-18.00%	11.40%
Operating Income	-9.21	-4.21	-1.71	1.82
% Margin	-467.51%	-108.71%	-18.55%	11.10%
Net Income	-4.21	-4.21	-1.71	1.82
% Margin	-213.71%	-108.71%	-18.55%	11.10%
Cash from Operations	-0.67	-0.89	-1.69	3.38
% Margin	-34.01%	-23.00%	-18.36%	20.64%
Free Cash Flows	-0.69	-0.91	-1.71	3.35
% Margin	-35.03%	-23.51%	-18.55%	20.43%

- Now let us move on to Baptista Research's forecasts for Bruush Oral Care's income statement and cash flows.
- We forecast a top-line growth of 96% for 2022, around 138% for 2023.
- This growth is expected to continue in 2023 when the company is finally expected to break even and generate a positive net margin of over 11% as its fixed expenses are expected to remain stable.
- In terms of the cash flows, we expect Bruush Oral Care to generate a positive operating cash flow from 2023 onwards.
- The company should be free cash flow positive from 2023 itself. Also, its Net Debt is expected to increase as there is a chance that the company might use debt to expand its investments in inventory.
- The Net Debt-to-EBITDA ratio is a measure of leverage, calculated as a company's interest-bearing liabilities minus cash or cash equivalents, divided by its EBITDA. It shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant.
- The company has no debt as of today so it isn't relevant but it might become more relevant after it achieves profitability and scales through debt and not equity.

DISCOUNTED CASH FLOW (DCF) VALUATION

Key DCF Assumptions	
WACC	19.3%
CoD	0.0%
CoE	19.3%
Market Rate	6.0%
Risk Free Rate	1.3%
Beta	3.0
Terminal Value	119.65
Tax Rate	0.0%

- For the purpose of carrying out the discounted cash flow valuation of Bruush Oral Care, we have used the standard capital asset pricing model (CAPM).
- We have used a 6.0% equity market risk premium based on the S&P 500 returns for the past 5 years.
- The risk-free rate has been assumed as the 10-year Treasury Constant Maturity Rate of the U.S. at 1.60%.
- The company's stock is more volatile than the market as a whole and has a beta of 3 which we shall use without leveraging the same as we are going for the enterprise value approach.
- This is used in order to arrive at the cost of equity (CoE) of 19.3% which appears reasonable for a company like Bruush Oral Care.
- Based on the company's long term debt and interest payments, the cost of debt is 0%.
- After incorporating the CoE and the CoD and average tax rate of 0.0%, we arrive at a Weighted Average Cost of Capital (WACC) of 19.3%.
- The terminal value is a key component of any DCF valuation as it accounts for the largest chunk of the total projected value of the company. There are a number of methodologies used to determine the same such as the perpetual growth rate method or the multiples method.
- In this case, we have gone ahead and determined the terminal value by applying the current EV/Sales ratio of 5x to our forecasted revenues of 2024. . .

.

EV and Market Cap	Current	2022E	2023E	2024E
Price ($)	2.52	5.64	10.13	15.05
Outstanding Number of shares (million)	13.95	15.35	15.35	15.35

Total Market Cap (millions)	35.15	86.51	155.44	230.98
Net Debt	0.00	-0.10	-0.90	-0.90
Enterprise Value (millions)	35.15	86.41	103.27	119.65

- After applying the discount rate (WACC) of 19.3%, we arrive at a price target of $5.64 for 2022.
- Our target price at the end of 2023 is $10.13 and for 2024 is $15.05 which implies a total appreciation of nearly 6x in the coming 3 years in the stock price.

Valuation Ratios	**Current**	**2022E**	**2023E**	**2024E**
EV/ Sales	17.84	22.33	11.21	7.30
EV/ EBITDA	-8.57	-20.78	-62.28	64.02
EV/ EBIT	-3.82	-20.54	-91.00	127.00
Price/Earnings	-8.35	-20.56	-91.00	127.00

KEY RISKS

- It is important to highlight the key risks associated with an investment in Bruush Oral Care as well as the inherent risks associated with the financial projections and price forecasts presented in this report.

- Bruush Oral Care faces the classic risks associated with any specialty finance company with limited regulatory requirements. The company Bruush may be catering to a vast addressable market but it operates in a highly competitive domain with many large incumbents with huge buying power such as Procter & Gamble and Philips.

- They could easily lower their price points, manage costs by shifting the manufacturing base to China, and penetrate into Bruush's space. To accommodate growth and compete effectively, Bruush's management will need working capital to maintain adequate inventory levels, develop additional procedures and controls and increase, train, motivate and manage its work force.

- It is important to highlight that Bruush is serving the global market since less than a decade which means it has a very limited operating history. As a result, many potential investors find it difficult to evaluate its business prospects and management.

- Bruush's management may struggle to successfully implement and execute their business tactics, operating strategies and growth initiatives. If the management fails to accomplish their growth and organizational modification effectively, it may destroy their business and operational results.

- Bruush relies on third parties i.e., China-based manufacturers of electric toothbrushes to grow and scale the company. Therefore, any change in pledged relationships or disruption of service run by these Chinese third-party manufacturers may badly affect them and subject them to liability.

- Last but not the least, one of the most significant risks that the company is currently facing is the ongoing global impact of Covid-19 as well as the geopolitical situation between Russia and Ukraine which could have a material impact on Bruush's operations. A negative news associated with the trade ties between U.S. and China could also affect the company.

- With respect to our price projection, we would like to clarify that the valuation of Bruush Oral Care in this report is specific to the date of the analysis i.e., 10-08-2022.

- Another one of the biggest risks to Bruush Oral Care' model is the fact that the company's top-line growth is assumed to be consistently growing by a certain rate in the model. There is a possibility that this assumption might not hold true if the COVID-19 situation persists for too long. With respect to our price projection, we would like to clarify that the valuation of Bruush Oral Care in this report is specific to the date of the analysis i.e., 10th August 2022.

- We must emphasize that the projected valuation and the share price of Bruush Oral Care are dependent on the realization of the revenue growth, free cash flows and the other assumptions taken into account. Our analysis cannot be directed to providing any assurance about the achievability of these financial forecasts. There is a possibility that the actual results of the company are different from the projected results as a result of unexpected events and circumstances such as the realization of the threats mentioned in the paragraph above. Lastly, we would like to clarify that we had no interaction with the management of the company and they did not comment on the achievability or the reasonableness of the assumptions underlying the financial forecasts. Please check out our detailed disclosures at the end for further details.

ANALYST RATINGS

- Buy: Expected to outperform market over next 6 to 12 months. Minimal risk to fundamentals and valuation. Good long-term investment.
- Outperform: Expected to outperform the market over next 6 to 12 months but there is a moderate risk to fundamentals and valuation.
- Sell: Expected to significantly underperform the market over next 6 to 12 months. There is a strong likelihood of the security delivering negative returns and a very high risk to fundamentals and valuation.
- Underperform: Expected to underperform the market over next 6 to 12. There is a moderate to high risk to fundamentals and valuation.
- Hold: Expected to perform in line with the market over next 6 to 12 months. However, there is a moderate to high risk to fundamentals and valuation.

ANALYST INDUSTRY VIEWS

- Attractive: The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.
- In-Line: The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.
- Cautious: The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.
- Benchmarks for each region are as follows: North America - S&P 500; Latin America – MSCI EM Latin America Index; Europe – MSCI Europe; Japan - TOPIX; Asia - relevant country index or sub-regional index. Please contact us to know the relevant index in case it is not specified in the report.

DISCLOSURES

This report has been prepared and distributed by Baptista Research ("Baptista Research", "its", "our") and it is for informational purposes only and does not constitute an offer, solicitation or recommendation to acquire or dispose of any investment or to engage in any transaction. Key statistical data, historical data, and price-volume information is sourced from the sources mentioned above which are considered reliable sources. This report is based on publicly-available information about the featured company(s) which Baptista Research considers reliable, but Baptista Research does not represent that it is accurate or complete, and it should not be relied upon as such. All information contained in this report is subject to change without notice. The forward-looking information in the analysis is based on subjective assessments about the future, which constitutes a factor of uncertainty. Baptista Research cannot guarantee that forecasts and forward-looking statements will materialize. Investors shall conduct all investment decisions independently. This analysis is intended to be one of a number of tools that can be used in making an investment decision. All investors are therefore encouraged to supplement this information with additional relevant data and to consult a financial advisor prior to an investment decision. Accordingly, Baptista Research accepts no liability for any loss or damage resulting from the use of this analysis.

This report is not disseminated in connection with any distribution of securities and is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. This report neither constitute a personal trading recommendation nor take into account the particular investment objectives, financial situation or needs of the recipients of this report, and does not provide all of the key elements for any user to make an investment decision. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable, appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to any party. Baptista Research does not offer advice on the tax consequences of investment and readers are advised to contact an independent tax adviser. Recipients should consider whether any information in this report is suitable for their particular circumstances, review the company's filings and, if appropriate, seek professional advice, including tax advice.

Investors need to be aware of the high degree of risk in small-cap, mid-cap, and micro-cap equities. The price per share and trading volume of the company(s) in this report may fluctuate and Baptista Research is not liable for these inherent market fluctuations. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. Baptista Research and its owners, analysts, employees, contractors or interns accepts no liability whatsoever for any direct or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by the recipients of this report, arising out or in connection with the access to, use, misuse of or reliance on any information contained in this report.

Baptista Research is an equity research focused firm but it is not a FINRA registered broker/dealer or investment advisor and does not provide investment banking services. Baptista Research and its owners, analysts, employees, contractor or interns do not have any long/short equity position of the shares of the companies covered in this report. It is worth highlighting that Baptista Research has been hired by third parties engaged by the company covered in the report as a part of their online awareness and visibility program, of which this report is a part, for which Baptista Research has been duly compensated. Baptista Research has a restrictive policy relating to personal dealing and conflicts of interest. Baptista Research does not receive any equity securities from the featured companies nor do its owners, analysts, employees, contractors or interns. Further, its owners, analysts, employees, contractors or interns do not engage in purchasing or selling the securities of any featured companies at any period beginning 72 hours following the public release of the report and until at least 72 hours after the report is released to general public, via electronic distribution.