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Dare Bioscience (NASDAQ/DARE)

BUY The FDA is Aligned for the Next Step: Phase 2b in FSAD

December 11, 2019

Female Viagra moves one step closer.
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Investment Highlights

ABC's of FSAD. Management announced the outcome of a Type C meeting with the FDA. The agency agreed that a patient reported outcome instrument is acceptable for the Phase 2b clinical study of Sildenafil Cream, 3.6% to screen eligible patients with Female Sexual Arousal Disorder (FSAD).

Female Viagra. Yes, Its time. Female Sexual Arousal Disorder – FSAD is real, and Sildenafil cream (the active ingredient of Viagra) has shown efficacy to address a segment of the female population (10M plus sexually active women) that are currently living with the disorder. Although FSAD affects more women than erectile dysfunction affects men, there are currently no approved products on the market.

The Opportunity for Sildenafil cream. In a press release, the FDA recognized Female Sexual Dysfunction as one of 20 diseases of "high priority and focused attention." In June 2019 they also approved Vyleesi, a treatment for hypoactive sexual desire disorder. These two factors speak to their motivations about future drug approval, leaving them to predict a high probability of approval. Oral sildenafil has already proved statistically significant results in increasing genital blood flow in women, further bolstering the probability of success for the product.

Also...Don't Forget BV1 ("One & Done"). DARE-BV1 is in development for bacterial vaginosis (BV). Differentiating characteristics include a gel technology which allows for local delivery and a one-time application. With high cure rates, (as high as 86%), the product appears superior to the standard of care treatments that average 50%.

Valuation: We assume that DARE-BV1 will be commercialized in 2021 and that Ovaprene will be commercialized in the U.S. in 2023 and in the EU in 2025. For Sildenafil cream, we expect commercialization in the U.S. in 2024 and in the EU in 2026. We assume a 30% discount rate in our Free Cash Flow to the Firm (FCFF), Discounted EPS (dEPS), and Sum-of-the-Parts (SOP) models due to the reasonable risk associated with each product. This results in models which are equally weighted and rounded to the nearest whole number with a \$4.0 price target. We acknowledge that our risk rate (30%) combined with our probability of success factors in our model combine to restrain the target valuation. On clinical and commercial progress, we would need to re-evaluate these assumptions, suggesting more upside exists with positive progress.

Risk to our thesis, include the following: (1) commercial; (2) regulatory; (3) clinical; (4) manufacturing; (5) financial; (6) liability; and (7) intellectual property.

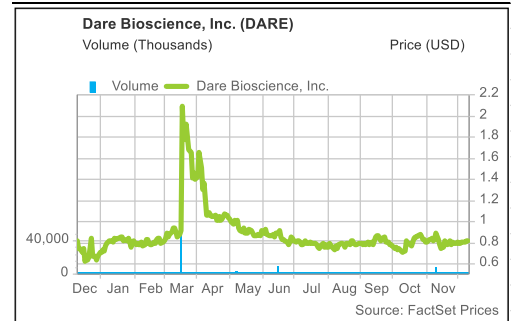
| | |
|----------------------|---------------|
| Current Price | \$0.82 |
| Price Target | \$4.00 |

| Estimates | F2019E | F2020E | F2021E |
|--------------------------|-----------|-----------|-----------|
| Expenses (\$000s) | \$ 12,667 | \$ 13,894 | \$ 15,244 |
| 1Q March | \$ 3,083 | \$ 3,335 | \$ 3,658 |
| 2Q June | \$ 3,982 | \$ 3,211 | \$ 3,521 |
| 3Q September | \$ 3,968 | \$ 3,603 | \$ 3,953 |
| 4Q December | \$ 1,633 | \$ 3,746 | \$ 4,111 |

| | F2019E | F2020E | F2021E |
|----------------------|-----------|-----------|-----------|
| EPS (diluted) | \$ (0.89) | \$ (0.55) | \$ (0.35) |
| 1Q March | \$ (0.27) | \$ (0.13) | \$ (0.08) |
| 2Q June | \$ (0.29) | \$ (0.13) | \$ (0.08) |
| 3Q September | \$ (0.24) | \$ (0.14) | \$ (0.09) |
| 4Q December | \$ (0.08) | \$ (0.15) | \$ (0.09) |

| | | | |
|----------------------|----------|----------|----------|
| EBITDA/Share | (\$0.80) | (\$0.50) | (\$0.40) |
| EV/EBITDA (x) | 0.0 | 0.0 | 0.0 |

| Stock Data | | | |
|--|-------------|---|--------|
| 52-Week Range | \$0.60 | - | \$3.25 |
| Shares Outstanding (mil.) | 19.7 | | |
| Market Capitalization (mil.) | \$16 | | |
| Enterprise Value (mil.) | \$10 | | |
| Debt to Capital | 0% | | |
| Book Value/Share | \$2.20 | | |
| Price/Book | 1.2 | | |
| Average Three Months Trading Volume (K) | 65 | | |
| Insider Ownership | 15.7% | | |
| Institutional Ownership | 5.9% | | |
| Short interest (mil.) | 3.8% | | |
| Dividend / Yield | \$0.00/0.0% | | |


Please find Important Disclosures beginning on Page 7.

Modeling Assumptions

1. We present therapeutic models for the company's three products, DARE-BV1, Ovaprene, and Sildenafil. For each of these products, we apply just a 50% probability of success. One could argue that this is conservative as each product has either demonstrated a viable mechanism of action or established proof of concept in well-designed Phase 2 trials.
 - a. DARE-BV1. We assume DARE-BV1 has a 50% probability of success, with commercialization in the U.S. in 2021 with a price of \$200. We assume modest price increases of just 1% annually.
 - b. Ovaprene. We assume Ovaprene has a 50% probability of success, with commercialization in the U.S. in 2023 and in the EU in 2025. We note that an EU trial may not be required to file, depending on U.S. results; however, for conservatism, we assume an EU trial. We assume Ovaprene will have a price comparable to NuvaRing, beginning at \$1650 per year and a y/y price increase of 1%.
 - c. Sildenafil. We assume Sildenafil has a 50% probability of success, with commercialization in the U.S. in 2024 and in the EU in 2025. We assume Sildenafil will have a price comparable to Viagra for men, beginning at \$1950 per year and a y/y price increase of 1%.
2. We assume a royalty product model for all three products. We model a 25% royalty to Dare based on top-line revenues. As part of our calculus, we assume research and development expenses are offset by a partnership that will reduce the financial burden. We do not assume zero R&D, as we expect the company to remain active in both new product development and in the participation of existing products. These assumptions also impact of SG&A line, where we estimate just 10% annual growth in expenses. Our COGS assumptions are set to 17% of revenues, and this may prove to be conservative.
3. Our company valuation is based on a fully diluted out year share count, with capital raises and issued shares in 3Q19 and 1Q20. We use a 30% risk rate in our FCF, dEPS, and SOP models. This risk rate is in addition to our therapeutic models "probability factor."

Exhibit 1. Ovaprene (U.S.)

| U.S. - Ovaprene | | | | | | | | | | | | | |
|---|--------|--------|--------|--------|--------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| Women using contraceptives ('000) | 41,650 | 42,500 | 43,350 | 44,217 | 45,101 | 46,003 | 46,923 | 47,862 | 48,819 | 49,796 | 50,791 | 51,807 | 52,843 |
| 40% unsatisfied | 16,660 | 17,000 | 17,340 | 17,687 | 18,041 | 18,401 | 18,769 | 19,145 | 19,528 | 19,918 | 20,317 | 20,723 | 21,137 |
| 50% shorter-acting & reversible | 8,330 | 8,500 | 8,670 | 8,843 | 9,020 | 9,201 | 9,385 | 9,572 | 9,764 | 9,959 | 10,158 | 10,361 | 10,569 |
| 22% on non-hormonal methods | 9,163 | 9,350 | 9,537 | 9,728 | 9,922 | 10,121 | 10,323 | 10,530 | 10,740 | 10,955 | 11,174 | 11,398 | 11,626 |
| Target Patient Population ('000) | 20,825 | 21,250 | 21,675 | 22,109 | 22,551 | 23,002 | 23,462 | 23,931 | 24,410 | 24,898 | 25,396 | 25,904 | 26,422 |
| Market share | | | | | | 1% | 2% | 2% | 3% | 3% | 4% | 4% | 5% |
| Patients treated | | | | | | 230,017 | 351,926 | 478,619 | 610,239 | 746,933 | 888,850 | 1,036,145 | 1,188,977 |
| Cost \$1500/year (NuvaRing) 10% premium | | | | | | \$ 1,650 | \$ 1,667 | \$ 1,683 | \$ 1,700 | \$ 1,717 | \$ 1,734 | \$ 1,752 | \$ 1,769 |
| Price Change | | | | | | | 1% | 1% | 1% | 1% | 1% | 1% | 1% |
| Revenues ('000) | | | | | | \$ 379,528 | \$ 586,484 | \$ 805,595 | \$ 1,037,405 | \$ 1,282,481 | \$ 1,541,414 | \$ 1,814,817 | \$ 2,103,327 |
| Probability of Success | | | | | | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% |
| Adjusted Revenues (M) | | | | | | \$ 189,764 | \$ 293,242 | \$ 402,797 | \$ 518,702 | \$ 641,241 | \$ 770,707 | \$ 907,408 | \$ 1,051,664 |
| Assume Royalty Model 25% | | | | | | \$ 47,441 | \$ 73,311 | \$ 100,699 | \$ 129,676 | \$ 160,310 | \$ 192,677 | \$ 226,852 | \$ 262,916 |

Source: Dawson James

Exhibit 2. Ovaprene (EU)

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|--------|--------|--------|--------|--------|-------------|-------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Women using contraceptives ('000) | 45,815 | 46,750 | 47,685 | 48,639 | 49,611 | 50,604 | 51,616 | 52,648 | 53,701 | 54,775 | 55,871 | 56,988 | 58,128 |
| 40% unsatisfied | 18,326 | 18,700 | 19,074 | 19,455 | 19,845 | 20,241 | 20,646 | 21,059 | 21,480 | 21,910 | 22,348 | 22,795 | 23,251 |
| 50% shorter-acting & reversible | 9,163 | 9,350 | 9,537 | 9,728 | 9,922 | 10,121 | 10,323 | 10,530 | 10,740 | 10,955 | 11,174 | 11,398 | 11,626 |
| 22% on non-hormonal methods | 10,079 | 10,285 | 10,491 | 10,701 | 10,915 | 11,133 | 11,355 | 11,583 | 11,814 | 12,051 | 12,292 | 12,537 | 12,788 |
| Target Patient Population ('000) | 22,908 | 23,375 | 23,843 | 24,319 | 24,806 | 25,302 | 25,808 | 26,324 | 26,851 | 27,388 | 27,935 | 28,494 | 29,064 |
| Market share | | | | | | 0% | 0% | 1% | 1% | 2% | 2% | 3% | 3% |
| Patients treated | | | | | | - | - | 131,620 | 268,505 | 410,813 | 558,706 | 712,350 | 871,916 |
| Cost \$1500/year (NuvaRing) 10% premium | | | | | | \$ 1,650 | \$ 1,667 | \$ 1,683 | \$ 1,700 | \$ 1,717 | \$ 1,734 | \$ 1,752 | \$ 1,769 |
| Price Change | | | | | | | 1% | 1% | 1% | 1% | 1% | 1% | 1% |
| Revenues ('000) | | | | | | \$ - | \$ - | \$ 221,539 | \$ 456,458 | \$ 705,365 | \$ 968,889 | \$ 1,247,687 | \$ 1,542,440 |
| Probability of Success | | | | | | | | 50% | 50% | 50% | 50% | 50% | 50% |
| Adjusted Revenues (M) | | | | | | \$ - | \$ - | \$ 110,769 | \$ 228,229 | \$ 352,682 | \$ 484,444 | \$ 623,843 | \$ 771,220 |
| Assume Royalty Model 25% | | | | | | \$ - | \$ - | \$ 27,692 | \$ 57,057 | \$ 88,171 | \$ 121,111 | \$ 155,961 | \$ 192,805 |

Source: Dawson James

Exhibit 3. DARE-BV1

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|--|--------|--------|--------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Total BV Population ('000) | 21,200 | 21,836 | 22,491 | 23,166 | 23,861 | 24,577 | 25,314 | 26,073 | 26,856 | 27,661 | 28,491 | 29,346 | 30,226 |
| 19% unsatisfied/Target patient population ('000) | 4028 | 4149 | 4273 | 4402 | 4534 | 4670 | 4810 | 4954 | 5103 | 5256 | 5413 | 5576 | 5743 |
| Market share | | | | 3% | 5% | 7% | 10% | 11% | 12% | 12% | 12% | 12% | 12% |
| Patients treated | | | | 132,045 | 226,677 | 326,869 | 480,964 | 544,933 | 612,306 | 630,675 | 649,595 | 669,083 | 689,156 |
| Price | | | | \$200 | \$202 | \$204 | \$206 | \$208 | \$210 | \$212 | \$214 | \$217 | \$219 |
| Price Change | | | | | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% |
| Revenues ('000) | | | | \$ 26,409 | \$ 45,789 | \$ 66,688 | \$ 99,108 | \$ 113,412 | \$ 128,708 | \$ 133,895 | \$ 139,291 | \$ 144,904 | \$ 150,744 |
| Probability of Success | | | | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% |
| Adjusted Revenues (M) | | | | \$ 13,205 | \$ 22,894 | \$ 33,344 | \$ 49,554 | \$ 56,706 | \$ 64,354 | \$ 66,947 | \$ 69,645 | \$ 72,452 | \$ 75,372 |
| Assume Royalty Model 25% | | | | \$ 3,301 | \$ 5,724 | \$ 8,336 | \$ 12,388 | \$ 14,176 | \$ 16,088 | \$ 16,737 | \$ 17,411 | \$ 18,113 | \$ 18,843 |
| Revenue to Daré | | | | \$ 3,301 | \$ 5,724 | \$ 8,336 | \$ 12,388 | \$ 14,176 | \$ 16,088 | \$ 16,737 | \$ 17,411 | \$ 18,113 | \$ 18,843 |

Exhibit 4. Sildenafil Cream (U.S.)

| Year | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|--------------------------------|------|--------|--------|--------|--------|--------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total FSAD Population ('000) | | 20,625 | 21,038 | 21,458 | 21,887 | 22,325 | 22,772 | 23,227 | 23,692 | 24,165 | 24,649 | 25,142 | 25,645 |
| % seeking treatment 50% ('000) | | 10,313 | 10,519 | 10,729 | 10,944 | 11,163 | 11,386 | 11,614 | 11,846 | 12,083 | 12,324 | 12,571 | 12,822 |
| Market share | | | | | | | 5% | 8% | 11% | 13% | 14% | 14% | 14% |
| Patients treated | | | | | | | 569,292 | 929,084 | 1,303,040 | 1,570,756 | 1,725,415 | 1,759,923 | 1,795,122 |
| Price | | | | | | | \$ 1,950 | \$ 1,989 | \$ 2,029 | \$ 2,069 | \$ 2,111 | \$ 2,153 | \$ 2,196 |
| Price Change | | | | | | | | 1% | 1% | 1% | 1% | 1% | 1% |
| Revenues ('000) | | | | | | | \$ 1,110,119 | \$ 1,847,948 | \$ 2,643,582 | \$ 3,250,452 | \$ 3,641,907 | \$ 3,789,040 | \$ 3,942,117 |
| Probability of Success | | | | | | | 50% | 50% | 50% | 50% | 50% | 50% | 50% |
| Adjusted Revenues (M) | | | | | | | \$ 555,059 | \$ 923,974 | \$ 1,321,791 | \$ 1,625,226 | \$ 1,820,953 | \$ 1,894,520 | \$ 1,971,059 |
| Assume Royalty Model 25% | | | | | | | \$ 138,765 | \$ 230,994 | \$ 330,448 | \$ 406,307 | \$ 455,238 | \$ 473,630 | \$ 492,765 |

Source: Dawson James

Exhibit 5. Sildenafil Cream (EU)

| Year | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|--------------------------------|------|------|--------|--------|--------|--------|--------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Total FSAD Population ('000) | | | 20,625 | 21,038 | 21,458 | 21,887 | 22,325 | 22,772 | 23,227 | 23,692 | 24,165 | 24,649 | 25,142 |
| % seeking treatment 50% ('000) | | | 10,313 | 10,519 | 10,729 | 10,944 | 11,163 | 11,386 | 11,614 | 11,846 | 12,083 | 12,324 | 12,571 |
| Market share | | | | | | | 5% | 5% | 8% | 11% | 13% | 14% | 14% |
| Patients treated | | | | | | | | 569,292 | 929,084 | 1,303,040 | 1,570,756 | 1,725,415 | 1,759,923 |
| Price | | | | | | | | \$ 1,950 | \$ 1,989 | \$ 2,029 | \$ 2,069 | \$ 2,111 | \$ 2,153 |
| Price Change | | | | | | | | | 1% | 1% | 1% | 1% | 1% |
| Revenues ('000) | | | | | | | | \$ 1,110,119 | \$ 1,847,948 | \$ 2,643,582 | \$ 3,250,452 | \$ 3,641,907 | \$ 3,789,040 |
| Probability of Success | | | | | | | | 50% | 50% | 50% | 50% | 50% | 50% |
| Adjusted Revenues (M) | | | | | | | | \$ 555,059 | \$ 923,974 | \$ 1,321,791 | \$ 1,625,226 | \$ 1,820,953 | \$ 1,894,520 |
| Assume Royalty Model 25% | | | | | | | | \$ 138,765 | \$ 230,994 | \$ 330,448 | \$ 406,307 | \$ 455,238 | \$ 473,630 |

Source: Dawson James

Valuation. We apply therapeutic probabilities of success in our product models, see model assumptions for complete details. For all three products, we apply a 50% probability. To this, we then apply a 30% discount rate on our Free Cash Flow to the Firm, Discounted EPS, and Sum-of-the-Parts models, which are equally weighted, averaged and rounded to the nearest whole number to derive our \$4.00 price target. Our assumptions are based on out-year estimates (2030) and assume a fully diluted share count (assume multiple capital raises).

Exhibit 6. Free Cash Flow Model

| Average | | 4 | | | | | | | | | | |
|---------------------------------------|-----------|----------|----------|----------|--------|--------|---------|---------|---------|---------|---------|---------|
| Price Target | 3 | | | | | | | | | | | |
| Year | 2019 | | | | | | | | | | | |
| DCF Valuation Using FCF (mln): | | | | | | | | | | | | |
| units ('000) | 2019E | 2020E | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
| EBIT | (13,336) | (13,768) | (11,810) | (12,587) | 35,655 | 63,586 | 119,877 | 179,463 | 241,095 | 306,459 | 375,437 | 447,952 |
| Tax Rate | 0% | 0% | 0% | 0% | 0% | 0% | 15% | 20% | 30% | 33% | 37% | 37% |
| EBIT (1-t) | (13,336) | (13,768) | (11,810) | (12,587) | 35,655 | 63,586 | 101,895 | 143,570 | 168,766 | 205,328 | 236,525 | 282,210 |
| CapEx | - | - | - | - | - | - | - | - | - | - | - | - |
| Depreciation | 1 | - | - | - | - | - | - | - | - | - | - | - |
| Change in NWC | - | - | - | - | - | - | - | - | - | - | - | - |
| FCF | (13,335) | (13,768) | (11,810) | (12,587) | 35,655 | 63,586 | 101,895 | 143,570 | 168,766 | 205,328 | 236,525 | 282,210 |
| PV of FCF | (13,335) | (10,591) | (6,988) | (5,729) | 12,484 | 17,125 | 21,110 | 22,880 | 20,689 | 19,362 | 17,157 | 15,747 |
| Discount Rate | 30% | | | | | | | | | | | |
| Long Term Growth Rate | 1% | | | | | | | | | | | |
| Terminal Cash Flow | 982,868 | | | | | | | | | | | |
| Terminal Value YE2030 | 54,842.62 | | | | | | | | | | | |
| NPV | 164,754 | | | | | | | | | | | |
| NPV-Debt | | | | | | | | | | | | |
| Shares out ('000) | 49,719 | 2030E | | | | | | | | | | |
| NPV Per Share | 3 | | | | | | | | | | | |

Source: Dawson James

Exhibit 7. Discounted-EPS Model

| | |
|-------------------|---------|
| Current Year | 2019 |
| Year of EPS | 2030 |
| Earnings Multiple | 10 |
| Discount Factor | 30% |
| Selected Year EPS | \$ 9.01 |
| NPV | 5 |

| | | Discount Rate and Earnings Multiple Varies, Year is Constant | | | | | | |
|----------|----|--|--------|-------|-------|-------|-------|-----|
| | | 5.03 | 5% | 10% | 15% | 20% | 25% | 30% |
| Earnings | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Multiple | 5 | 26.33 | 15.78 | 9.68 | 6.06 | 3.87 | 2.51 | |
| | 10 | 52.66 | 31.57 | 19.36 | 12.12 | 7.74 | 5.03 | |
| | 15 | 78.99 | 47.35 | 29.04 | 18.18 | 11.60 | 7.54 | |
| | 20 | 105.32 | 63.13 | 38.72 | 24.24 | 15.47 | 10.05 | |
| | 25 | 131.65 | 78.92 | 48.40 | 30.30 | 19.34 | 12.56 | |
| | 30 | 157.97 | 94.70 | 58.08 | 36.36 | 23.21 | 15.08 | |
| | 35 | 184.30 | 110.48 | 67.75 | 42.43 | 27.08 | 17.59 | |

Source: Dawson James

Exhibit 8. Sum-of-the-Parts Model

| | LT Gr | Discount Rate | Yrs to Peak | % Success | Peak Sales (MM's) | Term Val) |
|-----------------------|-------|---------------|-------------|-----------|-------------------|-----------|
| US - Ovaprene | 1% | 30% | 11 | 75% | \$263 | \$907 |
| NPV | | | | | | \$0.6 |
| EU - Ovaprene | 1% | 30% | 11 | 75% | \$193 | \$665 |
| NPV | | | | | | \$0.4 |
| US - DARE-BV1 | 1% | 30% | 11 | 75% | \$19 | \$65 |
| NPV | | | | | | \$0.0 |
| US - Sildenafil Cream | 1% | 30% | 11 | 75% | \$493 | \$1,699 |
| NPV | | | | | | \$1.1 |
| EU - Sildenafil Cream | 1% | 30% | 11 | 75% | \$474 | \$1,633 |
| NPV | | | | | | \$1.0 |
| Net Margin | | | | | | 75% |
| MM Shrs OS (2030E) | | | | | | 50 |
| Total | | | | | | \$3 |

Source: Dawson James

Exhibit 9. Income Statement

| DARE: Income Statement (\$000) | | | | | | | | | | | | | | | | | |
|---|-----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|
| YE December | 2018A | 1Q19A | 2Q19A | 3Q19E | 4Q19E | 2019E | 2020E | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2Q28E | 2Q29E | 2Q30E |
| Revenue: | | | | | | | | | | | | | | | | | |
| DARE-BV1 | | | | | | | | 13,205 | 22,894 | 33,344 | 49,554 | 56,706 | 64,354 | 66,947 | 69,645 | 72,452 | 75,372 |
| Ovaprene | | | | | | | | | | 189,764 | 293,242 | 513,567 | 746,931 | 993,923 | 1,255,152 | 1,531,252 | 1,822,884 |
| Sildenafil Cream | | | | | | | | | | 555,059 | 1,479,033 | 2,245,765 | 2,245,765 | 2,947,017 | 3,446,180 | 3,715,473 | 3,865,579 |
| Total Product Sales | | | | | | | | 13,205 | 22,894 | 223,108 | 897,855 | 2,049,306 | 3,057,050 | 4,007,888 | 4,770,977 | 5,319,177 | 5,763,834 |
| DARE-BV1 Royalty Revenue (US) | | | | | | | | 3,301 | 5,724 | 8,336 | 12,388 | 14,176 | 16,088 | 16,737 | 17,411 | 18,113 | 18,843 |
| Ovaprene Royalty Revenue (US) | | | | | | | | | | 47,441 | 73,311 | 100,699 | 129,676 | 160,310 | 192,677 | 226,852 | 262,916 |
| Ovaprene Royalty Revenue (EU) | | | | | | | | | | | | 27,692 | 57,057 | 88,171 | 121,111 | 155,961 | 192,805 |
| Sildenafil Cream Royalty Revenue (US) | | | | | | | | | | | 138,765 | 230,994 | 330,448 | 406,307 | 455,238 | 473,630 | 492,765 |
| Sildenafil Cream Royalty Revenue (EU) | | | | | | | | | | | 138,765 | 230,994 | 230,994 | 330,448 | 406,307 | 455,238 | 473,630 |
| Total royalties, collaborative revenue | | | | | | | | 3,301 | 5,724 | 55,777 | 224,464 | 512,326 | 764,263 | 1,001,972 | 1,192,744 | 1,329,794 | 1,440,959 |
| Total Revenue Received by Dare | | | | | | | | 3,301 | 5,724 | 55,777 | 224,464 | 512,326 | 764,263 | 1,001,972 | 1,192,744 | 1,329,794 | 1,440,959 |
| Expenses: | | | | | | | | | | | | | | | | | |
| Costs of Goods Sold | | | | | | | | 561 | 973 | 9,482 | 38,159 | 87,096 | 129,925 | 170,335 | 202,767 | 226,065 | 244,963 |
| %COGS | | | 17% | 17% | 17% | 17% | 17% | 17% | 17% | 17% | 17% | 17% | 17% | 17% | 17% | 17% | 17% |
| General & Administrative | 4,656 | 1,277 | 1,307 | 1,320 | 1,216 | 5,121 | 5,634 | 6,197 | 6,817 | 7,498 | 8,248 | 9,073 | 9,980 | 10,978 | 12,076 | 13,284 | 14,612 |
| Research & Development | 6,414 | 1,693 | 2,513 | 2,538 | 312 | 7,055 | 7,761 | 8,537 | 11,098 | 12,208 | 13,429 | 13,160 | 12,897 | 12,639 | 12,133 | 11,648 | 11,415 |
| License Expense | 625 | 113 | 163 | 110 | 105 | 490 | 500 | 510 | 535 | 562 | 590 | 620 | 651 | 683 | 717 | 753 | 791 |
| Impairment of Goodwill | 5,188 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Expenses | 16,882 | 3,083 | 3,982 | 3,968 | 1,633 | 12,667 | 13,894 | 15,244 | 18,450 | 20,268 | 22,267 | 22,853 | 23,528 | 24,300 | 24,927 | 25,685 | 26,818 |
| Operating Income (Loss) | (16,882) | (3,083) | (3,982) | (3,968) | (1,633) | (12,667) | (13,894) | (11,943) | (12,726) | 35,509 | 63,432 | 119,715 | 179,294 | 240,917 | 306,272 | 375,241 | 447,746 |
| Other income (expense) | 143 | 31 | 30 | 30 | 29 | 120 | 126 | 133 | 139 | 146 | 153 | 161 | 169 | 178 | 187 | 196 | 206 |
| Trigger Down Dvd | | | (790) | | | (790) | | | | | | | | | | | |
| Pretax Income | (16,739) | (3,052) | (4,742) | (3,938) | (1,604) | (13,336) | (13,768) | (11,810) | (12,587) | 35,655 | 63,586 | 119,877 | 179,463 | 241,095 | 306,459 | 375,437 | 447,952 |
| Income Taxes | | | | | | | | | | | | 17,981 | 35,893 | 72,328 | 101,131 | 138,912 | 165,742 |
| Tax Rate | | | | | | | | | | | 0% | 15% | 20% | 30% | 33% | 37% | 37% |
| GAAP Net Income (Loss) | (16,817) | (3,044) | (4,742) | (3,938) | (1,604) | (13,329) | (13,768) | (11,810) | (12,587) | 35,655 | 63,586 | 119,877 | 179,463 | 241,095 | 306,459 | 375,437 | 447,952 |
| Fx Translation | (79) | 8 | (8) | | | | | | | | | | | | | | |
| GAAP Total Comprehensive Income (Loss) | - | (3,037) | (4,750) | (3,938) | (1,604) | (13,329) | (13,768) | (11,810) | (12,587) | 35,655 | 63,586 | 119,877 | 179,463 | 241,095 | 306,459 | 375,437 | 447,952 |
| GAAP-EPS | (1.57) | (0.27) | (0.29) | (0.15) | (0.06) | (0.77) | (0.43) | (0.29) | (0.29) | 0.80 | 1.36 | 2.47 | 3.55 | 4.59 | 5.60 | 6.60 | 7.56 |
| Fully Diluted EPS | (1.69) | (0.20) | (0.29) | (0.17) | (0.07) | (0.73) | (0.43) | (0.34) | (0.35) | 0.95 | 1.62 | 2.94 | 4.23 | 5.46 | 6.67 | 7.85 | 9.01 |
| Wgtd Avg Shrs (Bas) - '000s | 10,732 | 11,422 | 16,105 | 25,966 | 26,226 | 19,930 | 31,964 | 41,382 | 43,063 | 44,811 | 46,631 | 48,524 | 50,494 | 52,545 | 54,678 | 56,898 | 59,209 |
| Wgtd Avg Shrs (Dil) - '000s | 11,422 | 15,172 | 16,105 | 23,766 | 24,004 | 19,762 | 32,223 | 34,750 | 36,161 | 37,629 | 39,157 | 40,747 | 42,401 | 44,123 | 45,915 | 47,779 | 49,719 |

Source: Dawson James

Risk Analysis

In addition to the typical risks associated with development stage specialty pharmaceutical companies, potential risks specific to Dare are as follows:

Financial risk. The company may need to raise capital in the marketplace in order to successfully push its products into the next phase, and there can be no assurances that the company will be able to successfully raise capital and or do so on favorable terms.

Clinical and regulatory risk. Lead products must start and complete clinical trials. Trials may not produce results sufficient for regulatory approval.

Partnership risk. Dare may seek partnerships for clinical development support and commercialization. We have no specific knowledge of any discussions with possible partners today, and there can be no assurances that the company will be able to secure a favorable partnership.

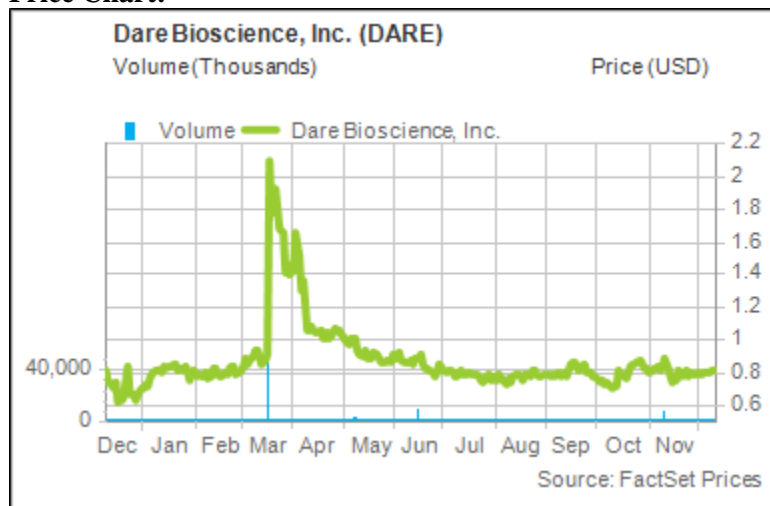
Commercial risk. There are no assurances that the company will be able to secure favorable pricing, commercially launch products, and achieve significant market share to become profitable.

Legal and intellectual property risk. The company may have to defend its patents and technical know-how, and there can be no assurances that the patents will not be infringed or will be held as valid if challenged, and or that the company may infringe on third party's patents.

Companies mentioned in this report:

Important Disclosures:

Price Chart:



Price target and rating changes over the past three years:

- Initiation – Buy – 7/18/2018 – Price Target \$8.00
- Transfer of Coverage – Buy – 7/18/2019 – Price Target \$4.00
- Update Report – Buy – 8/13/2019 – Price Target \$4.00
- Update Report – Buy – 8/15/2019 – Price Target \$4.00
- Update Report – Buy – 9/10/2019 – Price Target \$4.00
- Update Report – Buy – 11/11/2019 – Price Target \$4.00
- Update Report – Buy – 11/12/2019 – Price Target \$4.00
- Update Report – Buy – 12/11/2019 – Price Target \$4.00

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Rating Definitions:

- 1) **Buy:** the analyst believes the price of the stock will appreciate and produce a total return of at least 20% over the next 12-18 months;
- 2) **Neutral:** the analyst believes the price of the stock is fairly valued for the next 12-18 months;
- 3) **Sell:** the analyst believes the price of the stock will decline by at least 20% over the next 12-18 months and should be sold.

The following chart reflects the range of current research report ratings for all companies, followed by the analysts of the Firm. The chart also reflects the research report ratings relating to those companies for which the Firm has performed investment banking services.

| Ratings Distribution | Company Coverage | | Investment Banking | |
|----------------------------|------------------|------------|--------------------|-------------|
| | # of Companies | % of Total | # of Companies | % of Totals |
| Market Outperform (Buy) | 24 | 89% | 3 | 13% |
| Market Perform (Neutral) | 3 | 11% | 0 | 0% |
| Market Underperform (Sell) | 0 | 0% | 0 | 0% |
| Total | 27 | 100% | 3 | 11% |

Analyst Certification:

The analyst(s) whose name appears on this research report certifies that 1) all of the views expressed in this report accurately reflect his (their) personal views about any and all of the subject securities or issuers discussed; and 2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in this research report; and 3) all Dawson James employees, including the analyst(s) responsible for preparing this research report, may be eligible to receive non-product or service-specific monetary bonus compensation that is based upon various factors, including total revenues of Dawson James and its affiliates as well as a portion of the proceeds from a broad pool of investment vehicles consisting of components of the compensation generated by investment banking activities, including but not limited to shares of stock and/or warrants, which may or may not include the securities referenced in this report.