

Dare Bioscience (NASDAQ/DARE)

BUY: Reports 2019, Raises Modest Capital, Watching Timelines

March 31, 2020

Dare held the year-end call and focused on timelines for key products in the year ahead. Critically important is the fact that the company did raise modest capital (acquisition of Microchips) plus other sources (ATM) since the end of 2019 - \$7.9M in 1Q20. We do assume additional capital raises this year and in the years ahead. Model adjustments reduces our price target from \$4.00 to \$3.00.

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Investment Highlights

BV-1 “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%. A Phase 3 study is expected to begin this year.

Ovaprene. Dare has announced plans to file an Investigational Device Exemption (IDE) for Ovaprene in the first half of 2020. Upon FDA acceptance the company would then initiate a pivotal contraceptive effectiveness and safety clinical study of Ovaprene in the 2H-2020. The goal being to, based on this trial, pursue U.S., European and other key countries.

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.

Bayer Deal Terms. Dare receives a modest upfront payment and access to Bayer’s clinical and market capabilities which will include several of Bayer’s clinical people working with Dare on the clinical next steps. Dare retains control over the product – clinical development & the regulatory process. If Bayer, in its sole discretion, makes payment to Dare of \$20 million for clinical expenses, the deal becomes effective. Terms include milestones of up to \$310 million and tiered double digit royalties on net sales.

Valuation: We assume that DARE-BV1 can be commercialized in 2022 and that Ovaprene can follow 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 risks associated with each product. This results in models which are equally weighted and rounded to the nearest whole number with a \$3.0 price target.

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 \$0.89
Price Target \$3.00

Estimates	F2019A	F2020E	F2021E
Expenses (\$000s)	\$ 14,345	\$ 15,737	\$ 17,267
1Q March	\$ 3,083	\$ 3,777	\$ 4,144
2Q June	\$ 3,982	\$ 3,636	\$ 3,988
3Q September	\$ 3,419	\$ 4,081	\$ 4,478
4Q December	\$ 3,861	\$ 4,244	\$ 4,657

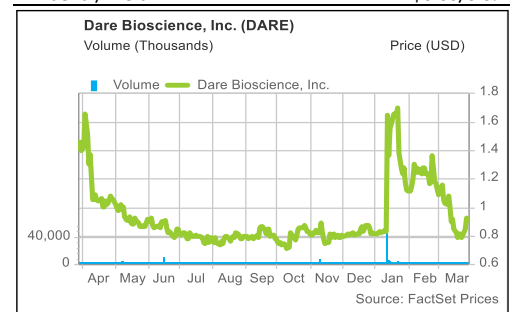
	F2019A	F2020E	F2021E
EPS (diluted)	\$ (0.97)	\$ (0.51)	\$ (0.29)
1Q March	\$ (0.27)	\$ (0.20)	\$ (0.07)
2Q June	\$ (0.29)	\$ (0.10)	\$ (0.07)
3Q September	\$ (0.20)	\$ (0.11)	\$ (0.08)
4Q December	\$ (0.20)	\$ (0.11)	\$ (0.08)

EBITDA/Share	(\$0.90)	(\$0.46)	(\$0.34)
EV/EBITDA (x)	0.0	0.0	0.0

Stock Data			
52-Week Range	\$0.69	-	\$2.22
Shares Outstanding (mil.)	24.7		
Market Capitalization (mil.)	\$22		
Enterprise Value (mil.)	\$17		

Debt to Capital	0%
Book Value/Share	\$2.20
Price/Book	1.2

Average Three Months Trading Volume (K)	207
Insider Ownership	12.8%
Institutional Ownership	4.8%
Short interest (mil.)	0.9%
Dividend / Yield	\$0.00/0.0%



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 FCFE, 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 \$3.00 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		3										
Price Target	3											
Year	2020											

DCF Valuation Using FCF (mln):												
units ('000)	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
EBIT	(15,054)	(15,652)	(13,877)	(15,217)	32,767	60,414	116,733	176,344	237,997	303,431	372,471	444,991
Tax Rate	0%	0%	0%	0%	0%	0%	15%	20%	30%	33%	37%	37%
EBIT (1-t)	(15,054)	(15,652)	(13,877)	(15,217)	32,767	60,414	99,223	141,075	166,598	203,299	234,657	280,344
CapEx	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	11	-	-	-	-	-	-	-	-	-	-	-
Change in NWC	-	-	-	-	-	-	-	-	-	-	-	-
FCF	(15,042)	(15,652)	(13,877)	(15,217)	32,767	60,414	99,223	141,075	166,598	203,299	234,657	280,344
PV of FCF	(19,555)	(15,652)	(10,674)	(9,004)	14,914	21,152	26,724	29,227	26,550	24,922	22,128	20,336
Discount Rate	30%											
Long Term Growth Rate	1%											
Terminal Cash Flow	976,371											
Terminal Value YE2030	70,824.17											
NPV	201,893											
NPV-Debt												
Shares out ('000)	59,174	2030E										
NPV Per Share	3											

Source: Dawson James

Exhibit 7. Discounted-EPS Model

Current Year	2020
Year of EPS	2030
Earnings Multiple	5
Discount Factor	30%
Selected Year EPS	\$ 7.52
NPV	3

Discount Rate and Earnings Multiple Varies, Year is Constant							
Earnings Multiple	2.73	5%	10%	15%	20%	25%	30%
	0	0	0	0	0	0	0
5	23.07	14.49	9.29	6.07	4.04	2.73	2.73
10	46.15	28.98	18.58	12.14	8.07	5.45	5.45
15	69.22	43.47	27.87	18.21	12.11	8.18	8.18
20	92.30	57.96	37.16	24.28	16.14	10.91	10.91
25	115.37	72.46	46.45	30.35	20.18	13.63	13.63
30	138.45	86.95	55.74	36.42	24.21	16.36	16.36
35	161.52	101.44	65.04	42.49	28.25	19.09	19.09

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%	5	75%	\$263	\$907
NPV						\$0.6
EU - Ovaprene	1%	30%	6	75%	\$193	\$665
NPV						\$0.3
US - DARE-BV1	1%	30%	5	75%	\$19	\$65
NPV						\$0.0
US - Sildenafil Cream	1%	30%	6	75%	\$493	\$1,699
NPV						\$0.9
EU - Sildenafil Cream	1%	30%	6	75%	\$474	\$1,633
NPV						\$0.9
Net Margin						20%
MM Shrs OS (2030E)						59
Total						\$3

Source: Dawson James

Exhibit 9. Income Statement

DARE: Income Statement (\$000)																	
.. YE December	2018A	2019A	1Q20E	2Q20E	3Q20E	4Q20E	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	2,947,017	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	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%	17%
General & Administrative	4,656	5,266	1,390	1,332	1,506	1,564	5,793	6,372	7,009	7,710	8,481	9,329	10,262	11,288	12,417	13,659	15,025
Research & Development	6,414	8,546	2,256	2,162	2,444	2,538	9,401	10,341	13,443	14,787	16,266	15,941	15,622	15,309	14,697	14,109	13,827
License Expense	625	533	130	141	130	141	544	555	582	611	642	674	708	743	780	819	860
Impairment of Goodwill	5,188																
Total Expenses	16,882	14,345	3,777	3,636	4,081	4,244	15,737	17,267	21,034	23,108	25,389	25,944	26,591	27,341	27,894	28,587	29,712
Operating Income (Loss)	(16,882)	(14,345)	(3,777)	(3,636)	(4,081)	(4,244)	(15,737)	(13,966)	(15,311)	32,668	60,310	116,625	176,230	237,877	303,305	372,339	444,852
Other income (expense)	143	81	20	23	21	21	85	89	94	98	103	109	114	120	126	132	139
Trigger Down Dvd		(790)															
Pretax Income	(16,739)	(15,054)	(3,757)	(3,613)	(4,059)	(4,222)	(15,652)	(13,877)	(15,217)	32,767	60,414	116,733	176,344	237,997	303,431	372,471	444,991
Income Taxes												17,510	35,269	71,399	100,132	137,814	164,647
Tax Rate											0%	15%	20%	30%	33%	37%	37%
GAAP Net Income (Loss)	(16,817)	(15,061)	(3,757)	(3,613)	(4,059)	(4,222)	(15,652)	(13,877)	(15,217)	32,767	60,414	116,733	176,344	237,997	303,431	372,471	444,991
Fx Translation	(79)																
GAAP Total Comprehensive Income (Loss)	-	(15,061)	(3,757)	(3,613)	(4,059)	(4,222)	(15,652)	(13,877)	(15,217)	32,767	60,414	116,733	176,344	237,997	303,431	372,471	444,991
GAAP-EPS	(1.57)	(0.97)	(0.20)	(0.10)	(0.11)	(0.11)	(0.51)	(0.29)	(0.31)	0.64	1.13	2.09	3.03	3.94	4.82	5.69	6.53
Fully Diluted EPS	(1.69)	(0.90)	(0.20)	(0.09)	(0.10)	(0.11)	(0.50)	(0.34)	(0.35)	0.73	1.30	2.41	3.49	4.53	5.55	6.55	7.52
Wgtd Avg Shrs (Bas) - '000s	10,732	15,799	19,174	37,759	38,137	38,518	33,397	47,611	49,545	51,556	53,650	55,828	58,095	60,454	62,908	65,463	68,121
Wgtd Avg Shrs (Dil) - '000s	11,422	16,736	19,174	38,380	38,764	39,151	33,867	41,358	43,037	44,785	46,603	48,496	50,465	52,514	54,646	56,865	59,174

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.

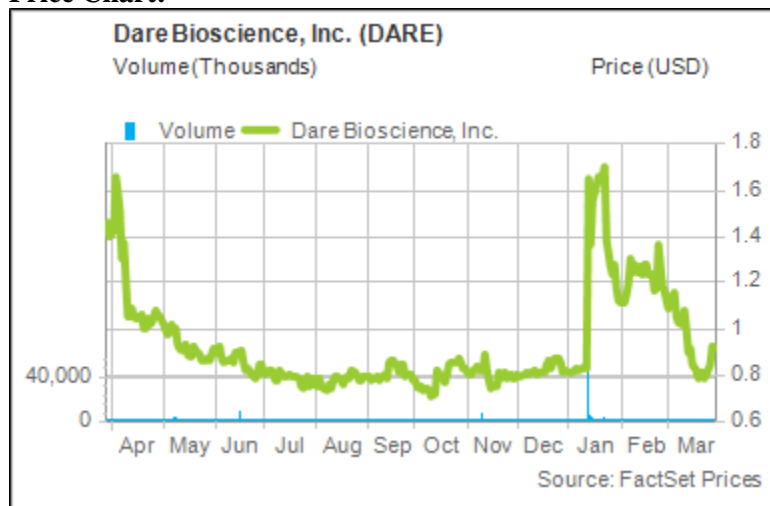
Commercial risk. There are no assurances that the company will be able to secure favorable pricing, commercially launch products, and achieve significant market share to become profitable.

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
- Update Report – Buy – 9/6/2018 – 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
- Update Report – Buy – 1/13/2020 – Price Target \$4.00
- Update Report – Buy – 1/27/2020 – Price Target \$4.00
- Price Target Change – Buy – 3/31/2020 – Price Target changed from \$4.00 to \$3.00

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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)	22	85%	3	14%
Market Perform (Neutral)	4	15%	1	25%
Market Underperform (Sell)	0	0%	0	0%
Total	26	100%	4	15%

Analyst Certification:

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