

Dare Bioscience (NASDAQ/DARE)

BUY: BV1 Positive Top-Line Data 76% P=<0.001

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Dare reported data from the Phase 3 trial of BV1 in bacterial vaginosis, N=30-7 women across 32 centers, 2:1 active versus control. The results of the study are clear and significant (P=0.001). A single locally applied dose of DARE-BV1 proved statistically superior at the TOC visit that occurred 21 to 30 days after study drug administration (primary efficacy endpoint) and also at the assessment visit that occurred 7 to 14 days after study drug administration. DARE-BV1 also demonstrated statistically significant efficacy in all four additional pre-specified secondary efficacy assessments.

Investment Highlights

BV1 “One & Done.” DARE-BV1 is in development for bacterial vaginosis (BV). Differentiating characteristics include a gel technology (w/Clindamycin) which allows for local delivery and a one-time application. The pivotal trial delivered a high cure rate, at 76% just 7-14 days after a single administration; the product appears superior to the standard of care treatments that average 50%. Based on the strong data set, we expect the company will be engaged in a business development deal that should bring in a combination of cash and resources.

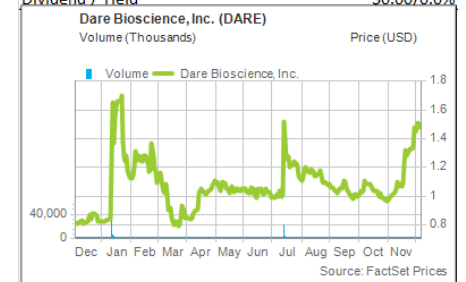
Ovaprene. Dare has announced plans to file an Investigational Device Exemption (IDE) for Ovaprene (a once monthly product). Upon FDA acceptance, the company would then initiate a pivotal contraceptive effectiveness and safety clinical study of Ovaprene with data by year-end 2022. The goal being, based on this trial, to pursue U.S., European and other key countries and realize Bayer’s opt-in as part of the agreement announced earlier this year.

Female Viagra. Yes, It’s 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. Phase 2b trial top-line data is expected by YE-2021.

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, for a \$4.00 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 | \$1.07 | | |
| Price Target | \$4.00 | | |
| Estimates | F2019A | F2020E | F2021E |
| Expenses (\$000s) | \$ 14,345 | \$ 15,737 | \$ 17,267 |
| 1Q March | \$ 3,083 | \$ 4,254 | \$ 4,144 |
| 2Q June | \$ 3,982 | \$ 7,126 | \$ 3,988 |
| 3Q September | \$ 3,419 | \$ 7,582 | \$ 4,478 |
| 4Q December | \$ 3,861 | \$ (3,225) | \$ 4,657 |
| | F2019A | F2020E | F2021E |
| EPS (diluted) | \$ (0.97) | \$ (0.60) | \$ (0.36) |
| 1Q March | \$ (0.27) | \$ (0.18) | \$ (0.09) |
| 2Q June | \$ (0.29) | \$ (0.27) | \$ (0.08) |
| 3Q September | \$ (0.20) | \$ (0.24) | \$ (0.09) |
| 4Q December | \$ (0.20) | \$ 0.09 | \$ (0.10) |
| EBITDA/Share | (\$0.90) | (\$0.52) | (\$0.42) |
| EV/EBITDA (x) | 0.0 | 0.0 | 0.0 |
| Stock Data | | | |
| 52-Week Range | \$0.69 | - | \$2.22 |
| Shares Outstanding (mil.) | 31.6 | | |
| Market Capitalization (mil.) | \$34 | | |
| Enterprise Value (mil.) | \$29 | | |
| Debt to Capital | 0% | | |
| Book Value/Share | \$2.20 | | |
| Price/Book | 36.6 | | |
| Average Three Months Trading Volume (K) | 621 | | |
| Insider Ownership | 9.9% | | |
| Institutional Ownership | 4.1% | | |
| Short interest (mil.) | 0.8% | | |
| 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 these products, we apply 50-70% probabilities of success. One could argue that 50% is conservative as these products have 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 70% probability of success, with commercialization in the U.S. in 2022 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 2026. 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 the 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. 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% | 5% |
| Patients treated | | | | | 230,017 | 351,926 | 478,619 | 610,239 | 746,933 | 888,850 | 1,036,145 | 1,188,977 | 1,347,977 |
| Cost \$1500/year (NuvaRing) 10% premium | | | | | \$ 1,650 | \$ 1,667 | \$ 1,683 | \$ 1,700 | \$ 1,717 | \$ 1,734 | \$ 1,752 | \$ 1,769 | \$ 1,786 |
| Price Change | | | | | 1% | 1% | 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 | \$ 2,407,977 |
| Probability of Success | | | | | 50% | 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 | \$ 1,203,988 |
| Assume Royalty Model 25% | | | | | \$ 47,441 | \$ 73,311 | \$ 100,699 | \$ 129,676 | \$ 160,310 | \$ 192,677 | \$ 226,852 | \$ 262,916 | \$ 300,997 |

Source: Dawson James estimates, company reports

Exhibit 2. Ovaprene (EU)

| Year | 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% | 3% |
| Patients treated | | | | | - | - | 131,620 | 268,505 | 410,813 | 558,706 | 712,350 | 871,916 | 1,037,977 |
| Cost \$1500/year (NuvaRing) 10% premium | | | | | \$ 1,650 | \$ 1,667 | \$ 1,683 | \$ 1,700 | \$ 1,717 | \$ 1,734 | \$ 1,752 | \$ 1,769 | \$ 1,786 |
| Price Change | | | | | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% |
| Revenues ('000) | | | | | \$ - | \$ - | \$ 221,539 | \$ 456,458 | \$ 705,365 | \$ 968,889 | \$ 1,247,687 | \$ 1,542,440 | \$ 1,847,977 |
| Probability of Success | | | | | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% |
| Adjusted Revenues (M) | | | | | \$ - | \$ - | \$ 110,769 | \$ 228,229 | \$ 352,682 | \$ 484,444 | \$ 623,843 | \$ 771,220 | \$ 927,988 |
| Assume Royalty Model 25% | | | | | \$ - | \$ - | \$ 27,692 | \$ 57,057 | \$ 88,171 | \$ 121,111 | \$ 155,961 | \$ 192,805 | \$ 231,611 |

Source: Dawson James estimates, company reports

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% |
| Patients treated | | | | - | 136,006 | 233,478 | 336,675 | 495,393 | 561,280 | 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) | | | | \$ - | \$ 27,473 | \$ 47,634 | \$ 69,375 | \$ 103,102 | \$ 117,982 | \$ 133,895 | \$ 139,291 | \$ 144,904 | \$ 150,744 |
| Probability of Success | | | | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% |
| Adjusted Revenues (M) | | | | \$ - | \$ 19,231 | \$ 33,344 | \$ 48,563 | \$ 72,171 | \$ 82,588 | \$ 93,726 | \$ 97,504 | \$ 101,433 | \$ 105,521 |
| Assume Royalty Model 25% | | | | \$ - | \$ 4,808 | \$ 8,336 | \$ 12,141 | \$ 18,043 | \$ 20,647 | \$ 23,432 | \$ 24,376 | \$ 25,358 | \$ 26,380 |
| Revenue to Daré | | | | \$ - | \$ 4,808 | \$ 8,336 | \$ 12,141 | \$ 18,043 | \$ 20,647 | \$ 23,432 | \$ 24,376 | \$ 25,358 | \$ 26,380 |

Source: Dawson James estimates, company reports

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% | 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 estimates, company reports

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 | 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% | 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 estimates, company reports

Valuation. We apply therapeutic probabilities of success in our product models; see model assumptions for complete details. For the three products, we apply 50%-70% (BV1) probabilities of success. 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 (\$)

| units ('000) | 2019A | 2020E | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|-----------------------|-----------|----------|----------|----------|--------|--------|---------|---------|---------|---------|---------|---------|
| EBIT | (15,054) | (15,659) | (17,178) | (16,133) | 32,767 | 60,166 | 120,599 | 180,902 | 244,691 | 310,395 | 379,716 | 452,528 |
| Tax Rate | 0% | 0% | 0% | 0% | 0% | 0% | 15% | 20% | 30% | 33% | 37% | 37% |
| EBIT (1-t) | (15,054) | (15,659) | (17,178) | (16,133) | 32,767 | 60,166 | 102,509 | 144,722 | 171,284 | 207,965 | 239,221 | 285,093 |
| CapEx | - | - | - | - | - | - | - | - | - | - | - | - |
| Depreciation | 11 | 36 | - | - | - | - | - | - | - | - | - | - |
| Change in NWC | - | - | - | - | - | - | - | - | - | - | - | - |
| FCF | (15,042) | (15,622) | (17,178) | (16,133) | 32,767 | 60,166 | 102,509 | 144,722 | 171,284 | 207,965 | 239,221 | 285,093 |
| PV of FCF | (25,422) | (20,309) | (17,178) | (12,410) | 19,389 | 27,385 | 35,891 | 38,978 | 35,486 | 33,143 | 29,326 | 26,884 |
| Discount Rate | 30% | | | | | | | | | | | |
| Long Term Growth Rate | 1% | | | | | | | | | | | |
| Terminal Cash Flow | 992,909 | | | | | | | | | | | |
| Terminal Value YE2030 | 93,630.91 | | | | | | | | | | | |
| NPV | 264,795 | | | | | | | | | | | |
| NPV-Debt | 58,245 | | | | | | | | | | | |
| Shares out ('000) | 2030E | | | | | | | | | | | |
| NPV Per Share | 5 | | | | | | | | | | | |

Source: Dawson James estimates, company reports

Exhibit 7. Discounted-EPS Model

| | |
|-------------------|---------|
| Current Year | 2021 |
| Year of EPS | 2030 |
| Earnings Multiple | 5 |
| Discount Factor | 30% |
| Selected Year EPS | \$ 7.77 |
| NPV | 4 |

| | | Discount Rate and Earnings Multiple Varies, Year is Constant | | | | | | |
|-------------------|----|--|--------|-------|-------|-------|-------|-----|
| | | 3.66 | 5% | 10% | 15% | 20% | 25% | 30% |
| Earnings Multiple | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 5 | 23.07 | 14.49 | 9.29 | 6.07 | 4.04 | 2.73 | |
| | 10 | 46.15 | 28.98 | 18.58 | 12.14 | 8.07 | 5.45 | |
| | 15 | 69.22 | 43.47 | 27.87 | 18.21 | 12.11 | 8.18 | |
| | 20 | 92.30 | 57.96 | 37.16 | 24.28 | 16.14 | 10.91 | |
| | 25 | 115.37 | 72.46 | 46.45 | 30.35 | 20.18 | 13.63 | |
| | 30 | 138.45 | 86.95 | 55.74 | 36.42 | 24.21 | 16.36 | |
| | 35 | 161.52 | 101.44 | 65.04 | 42.49 | 28.25 | 19.09 | |

Source: Dawson James estimates, company reports

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 | | | | | | \$0.9 |
| EU - Ovaprene | 1% | 30% | 6 | 75% | \$193 | \$665 |
| NPV | | | | | | \$0.5 |
| US - DARE-BV1 | 1% | 30% | 3 | 80% | \$19 | \$65 |
| NPV | | | | | | \$0.1 |
| US - Sildenafil Cream | 1% | 30% | 6 | 75% | \$493 | \$1,699 |
| NPV | | | | | | \$1.4 |
| EU - Sildenafil Cream | 1% | 30% | 6 | 75% | \$474 | \$1,633 |
| NPV | | | | | | \$1.3 |
| Net Margin | | | | | | 30% |
| MM Shrs OS (2030E) | | | | | | 58 |
| Total | | | | | | \$4 |

Source: Dawson James estimates

Exhibit 9. Income Statement

| DARE: Income Statement (\$'000) | | | | | | | | | | | | | | | | | |
|---|-----------------|-----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|
| YE December | 2018A | 2019A | 1Q20A | 2Q20A | 3Q20A | 4Q20E | 2020E | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2Q28E | 2Q29E | 2Q30E |
| Revenue: | | | | | | | | | | | | | | | | | |
| DARE-BV1 | | | | | | | | - | 19,231 | 33,344 | 48,563 | 72,171 | 82,588 | 93,726 | 97,504 | 101,433 | 105,521 |
| 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 | | | | | | | | - | 19,231 | 223,108 | 896,864 | 2,064,771 | 3,075,284 | 4,034,667 | 4,798,835 | 5,348,158 | 5,793,983 |
| DARE-BV1 Royalty Revenue (US) | | | | | | | | - | 4,808 | 8,336 | 12,141 | 18,043 | 20,647 | 23,432 | 24,376 | 25,358 | 26,380 |
| 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 | 492,765 |
| Total royalties, collaborative revenue | | | | | | | | - | 4,808 | 55,777 | 224,216 | 516,193 | 768,821 | 1,008,667 | 1,199,709 | 1,337,040 | 1,448,496 |
| Total Revenue Received by Dare | | | | | | | | - | 4,808 | 55,777 | 224,216 | 516,193 | 768,821 | 1,008,667 | 1,199,709 | 1,337,040 | 1,448,496 |
| Expenses: | | | | | | | | | | | | | | | | | |
| Costs of Goods Sold | | | | | | | | - | 817 | 9,482 | 38,117 | 87,753 | 130,700 | 171,473 | 203,950 | 227,297 | 246,244 |
| %COGS | | 17% | 17% | 17% | 17% | 17% | 17% | 17% | 17% | 17% | 17% | 17% | 17% | 17% | 17% | 17% | 17% |
| General & Administrative | 4,656 | 5,266 | 1,862 | 1,558 | 1,353 | 1,020 | 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 | 2,380 | 5,547 | 6,204 | (4,730) | 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 | 13 | 21 | 25 | 485 | 544 | 555 | 582 | 611 | 642 | 674 | 708 | 743 | 780 | 819 | 860 |
| Impairment of Goodwill | 5,188 | | | | | | | | | | | | | | | | |
| Total Expenses | 16,882 | 14,345 | 4,254 | 7,126 | 7,582 | (3,225) | 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) | (4,254) | (7,126) | (7,582) | 3,225 | (15,737) | (17,267) | (16,226) | 32,668 | 60,062 | 120,491 | 180,788 | 244,572 | 310,270 | 379,584 | 452,389 |
| Other income (expense) | 143 | 81 | 2 | 2 | (1) | 83 | 85 | 89 | 94 | 98 | 103 | 109 | 114 | 120 | 126 | 132 | 139 |
| Trigger Down Dvd | | (790) | | | | (7) | | | | | | | | | | | |
| Pretax Income | (16,739) | (15,054) | (4,252) | (7,124) | (7,590) | 3,307 | (15,659) | (17,178) | (16,133) | 32,767 | 60,166 | 120,599 | 180,902 | 244,691 | 310,395 | 379,716 | 452,528 |
| Income Taxes | | | | | | | | | | | | 18,090 | 36,180 | 73,407 | 102,430 | 140,495 | 167,435 |
| Tax Rate | | | | | | | | | | | 0% | 15% | 20% | 30% | 33% | 37% | 37% |
| GAAP Net Income (Loss) | (16,817) | (15,061) | (4,274) | (7,124) | (7,589) | 3,307 | (15,680) | (17,178) | (16,133) | 32,767 | 60,166 | 120,599 | 180,902 | 244,691 | 310,395 | 379,716 | 452,528 |
| Fx Translation | (79) | | (22) | 12 | | | | | | | | | | | | | |
| GAAP Total Comprehensive Income (Loss) | - | (15,061) | (4,296) | (7,112) | (7,589) | 3,307 | (15,680) | (17,178) | (16,133) | 32,767 | 60,166 | 120,599 | 180,902 | 244,691 | 310,395 | 379,716 | 452,528 |
| GAAP-EPS | (1.57) | (0.97) | (0.18) | (0.27) | (0.24) | 0.09 | (0.60) | (0.36) | (0.33) | 0.64 | 1.12 | 2.16 | 3.11 | 4.05 | 4.93 | 5.80 | 6.64 |
| Fully Diluted EPS | (1.69) | (0.90) | (0.18) | (0.27) | (0.24) | 0.09 | (0.60) | (0.42) | (0.38) | 0.74 | 1.31 | 2.53 | 3.64 | 4.73 | 5.77 | 6.78 | 7.77 |
| Wgtd Avg Shrs (Bas) - '000s | 10,732 | 15,799 | 23,799 | 26,711 | 31,588 | 38,518 | 30,154 | 47,611 | 49,545 | 51,556 | 53,650 | 55,828 | 58,095 | 60,454 | 62,909 | 65,463 | 68,121 |
| Wgtd Avg Shrs (Dil) - '000s | 11,422 | 16,736 | 23,799 | 26,711 | 31,588 | 38,518 | 30,154 | 40,709 | 42,362 | 44,082 | 45,872 | 47,734 | 49,672 | 51,689 | 53,788 | 55,972 | 58,245 |

Source: Dawson James estimates, company reports

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.

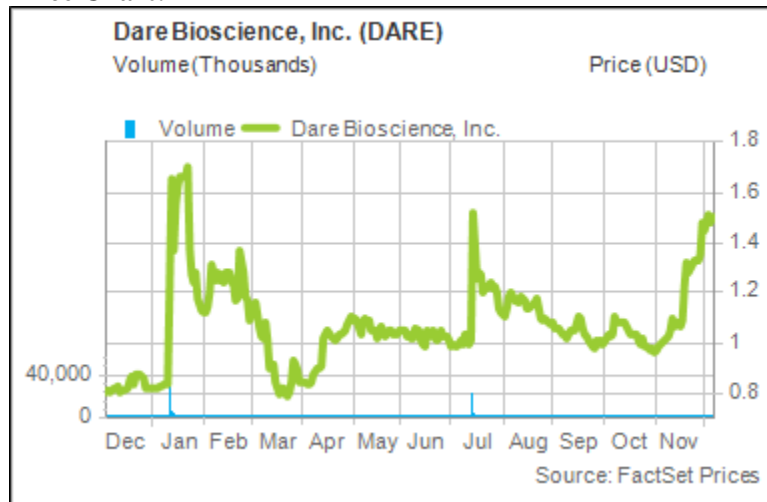
Commercial risk. There are no assurances that the company will be able to secure favorable pricing, commercially launch products, and achieve significant market share to become profitable.

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 parties' 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
- Update Report – Buy – 5/15/2020 - Price Target \$3.00
- Update Report – Buy – 9/1/2020 - Price Target \$3.00
- Update Report – Buy – 11/13/2020 - Price Target \$3.00
- Price Target Change – Buy – 12/7/2020 - Price Target changed from \$3.00 to \$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) | 22 | 81% | 4 | 18% |
| Market Perform (Neutral) | 5 | 19% | 1 | 20% |
| Market Underperform (Sell) | 0 | 0% | 0 | 0% |
| Total | 27 | 100% | 5 | 19% |

Analyst Certification:

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