

Member FINRA/SIPC

Toll-Free: 561-391-5555 ♦ www.DawsonJames.com ♦ 101 North Federal Highway - Suite 600 ♦ Boca Raton, FL 33432

## Dare Bioscience (NASDAQ/DARE)

### BUY: Reports Full-Year Results

March 30, 2021

**Jason Kolbert**  
 Healthcare Research  
 jkolbert@dawsonjames.com

Dare reported year-end results for 2020. The company spent \$27M and ended the year with \$4.7M, but through the use of the ATM (At-The-Market) facility, it sold stock in 1Q21, raising an additional \$11M. The company reports 47M shares outstanding at the end of 1Q21. Adjusting for the additional shares and rolling our model forward to year-end 2021 (price target) results in a suggested \$3.00 valuation, down from \$4.00.

### Investment Highlights

**BV1 “One & Done.”** DARE-BV1 is in development for bacterial vaginosis (BV). Differentiating characteristics include a gel technology (w/Clindamycin) that 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 to be engaged in a business development deal that should bring in a combination of cash and resources. NDA submission is expected in 2Q21.

**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 would be, 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 is 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 2023 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 that are equally weighted and rounded to the nearest whole number, for a \$3.00 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	\$1.65
Price Target	\$3.00

Estimates	F2019A	F2020A	F2021E
Expenses (\$000s)	\$ 14,345	\$ 27,402	\$ 30,136
1Q March	\$ 3,083	\$ 4,254	\$ 7,233
2Q June	\$ 3,982	\$ 7,126	\$ 6,934
3Q September	\$ 3,419	\$ 7,582	\$ 7,834
4Q December	\$ 3,861	\$ 8,441	\$ 8,136

	F2019A	F2020A	F2021E
EPS (diluted)	\$ (0.97)	\$ (0.91)	\$ (0.63)
1Q March	\$ (0.27)	\$ (0.18)	\$ (0.15)
2Q June	\$ (0.29)	\$ (0.27)	\$ (0.15)
3Q September	\$ (0.20)	\$ (0.24)	\$ (0.16)
4Q December	\$ (0.20)	\$ (0.22)	\$ (0.17)

EBITDA/Share	(\$0.90)	(\$0.91)	(\$0.63)
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.)	\$52	
Enterprise Value (mil.)	\$47	
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%	



**Valuation.** We apply therapeutic probabilities of success in our product models. 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 \$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 1. Free Cash Flow Model (\$)

Average	3											
Price Target	3											
Year	2021											
DCF Valuation Using FCF (mln):												
units ('000)	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
EBIT	(15,054)	(27,408)	(30,134)	(34,279)	11,916	36,359	95,411	155,257	218,519	284,571	354,187	426,898
Tax Rate	0%	0%	0%	0%	0%	0%	15%	20%	30%	33%	37%	37%
EBIT (1-t)	(15,054)	(27,408)	(30,134)	(34,279)	11,916	36,359	81,100	124,206	152,963	190,663	223,138	268,946
CapEx	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	11	36	-	-	-	-	-	-	-	-	-	-
Change in NWC	-	-	-	-	-	-	-	-	-	-	-	-
FCF	(15,042)	(27,371)	(30,134)	(34,279)	11,916	36,359	81,100	124,206	152,963	190,663	223,138	268,946
PV of FCF	(25,422)	(35,583)	(30,134)	(26,368)	7,051	16,550	28,395	33,452	31,690	30,385	27,354	25,361
Discount Rate	30%											
Long Term Growth Rate	1%											
Terminal Cash Flow	936,673											
Terminal Value YE2030	88,327.92											
NPV	232,065											
NPV-Debt	-											
Shares out ('000)	68,697	2030E										
NPV Per Share	3											

Source: Dawson James estimates, company reports

### Exhibit 2. Discounted-EPS Model

Current Year	2021
Year of EPS	2030
Earnings Multiple	5
Discount Factor	30%
Selected Year EPS	\$ 6.21
NPV	3

Discount Rate and Earnings Multiple Varies, Year is Constant							
Earnings Multiple	2.93	5%	10%	15%	20%	25%	30%
	0	0	0	0	0	0	0
5	20.02	13.17	8.83	6.02	4.17	2.93	2.93
10	40.04	26.34	17.66	12.04	8.34	5.86	5.86
15	60.06	39.52	26.49	18.06	12.51	8.79	8.79
20	80.09	52.69	35.32	24.08	16.68	11.72	11.72
25	100.11	65.86	44.15	30.10	20.84	14.64	14.64
30	120.13	79.03	52.97	36.12	25.01	17.57	17.57
35	140.15	92.21	61.80	42.14	29.18	20.50	20.50

Source: Dawson James estimates, company reports

### Exhibit 3. Sum-of-the-Parts Model

	LT Gr	Discount Rate	Yrs to Peak	% Success	Peak Sales (MM's)	Term Val)
<b>US - Ovaprene</b>	1%	30%	5	75%	\$263	\$907
NPV						\$0.8
<b>EU - Ovaprene</b>	1%	30%	6	75%	\$193	\$665
NPV						\$0.5
<b>US - DARE-BV1</b>	1%	30%	5	75%	\$19	\$65
NPV						\$0.1
<b>US - Sildenafil Cream</b>	1%	30%	6	75%	\$493	\$1,699
NPV						\$1.2
<b>EU - Sildenafil Cream</b>	1%	30%	6	75%	\$474	\$1,633
NPV						\$1.1
Net Margin						30%
MM Shrs OS (2030E)						69
<b>Total</b>						<b>\$4</b>

Source: Dawson James estimates

**Exhibit 4. Income Statement**

DARE: Income Statement (\$'000)																	
YE December	2018A	2019A	1Q20A	2Q20A	3Q20A	4Q20A	2020A	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2Q28E	2Q29E	2Q30E
<b>Revenue:</b>																	
DARE-BV1								-	13,737	23,817	34,688	51,551	58,991	66,947	69,645	72,452	75,372
Opavrene										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
<b>Total Product Sales</b>								-	13,737	213,581	882,989	2,044,151	3,051,688	4,007,888	4,770,977	5,319,177	5,763,834
DARE-BV1 Royalty Revenue (US)								-	3,434	5,954	8,672	12,888	14,748	16,737	17,411	18,113	18,843
Opavrene Royalty Revenue (US)										47,441	73,311	100,699	129,676	160,310	192,677	226,852	262,916
Opavrene 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
<b>Total royalties, collaborative revenue</b>								-	3,434	53,395	220,747	511,038	762,922	1,001,972	1,192,744	1,329,794	1,440,959
<b>Total Revenue Received by Dare</b>								-	3,434	53,395	220,747	511,038	762,922	1,001,972	1,192,744	1,329,794	1,440,959
<b>Expenses:</b>																	
Costs of Goods Sold								-	584	9,077	37,527	86,876	129,697	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	1,862	1,558	1,353	1,777	6,550	7,204	7,925	8,717	9,589	10,548	11,603	12,763	14,039	15,443	16,988
Research & Development	6,414	8,546	2,380	5,547	6,204	6,638	20,769	22,846	29,700	32,670	35,937	35,219	34,514	33,824	32,471	31,172	30,549
License Expense	625	533	13	21	25	25	83	85	89	94	98	103	108	114	120	126	132
Impairment of Goodwill	5,188																
<b>Total Expenses</b>	<b>16,882</b>	<b>14,345</b>	<b>4,254</b>	<b>7,126</b>	<b>7,582</b>	<b>8,441</b>	<b>27,402</b>	<b>30,136</b>	<b>37,714</b>	<b>41,481</b>	<b>45,625</b>	<b>45,870</b>	<b>46,226</b>	<b>46,701</b>	<b>46,630</b>	<b>46,741</b>	<b>47,668</b>
<b>Operating Income (Loss)</b>	<b>(16,882)</b>	<b>(14,345)</b>	<b>(4,254)</b>	<b>(7,126)</b>	<b>(7,582)</b>	<b>(8,441)</b>	<b>(27,402)</b>	<b>(30,136)</b>	<b>(34,280)</b>	<b>11,914</b>	<b>36,358</b>	<b>95,409</b>	<b>155,255</b>	<b>218,517</b>	<b>284,569</b>	<b>354,185</b>	<b>426,896</b>
Other income (expense)	143	81	2	2	(1)	(1)	2	2	2	2	2	2	2	2	2	2	2
Trigger Down Dvd		(790)			(7)		(7)										
<b>Pretax Income</b>	<b>(16,739)</b>	<b>(15,054)</b>	<b>(4,252)</b>	<b>(7,124)</b>	<b>(7,589)</b>	<b>(8,441)</b>	<b>(27,408)</b>	<b>(30,134)</b>	<b>(34,279)</b>	<b>11,916</b>	<b>36,359</b>	<b>95,411</b>	<b>155,257</b>	<b>218,519</b>	<b>284,571</b>	<b>354,187</b>	<b>426,898</b>
Income Taxes																	
Tax Rate											0%	15%	20%	30%	33%	37%	37%
<b>GAAP Net Income (Loss)</b>	<b>(16,817)</b>	<b>(15,061)</b>	<b>(4,274)</b>	<b>(7,124)</b>	<b>(7,589)</b>	<b>(8,420)</b>	<b>(27,408)</b>	<b>(30,134)</b>	<b>(34,279)</b>	<b>11,916</b>	<b>36,359</b>	<b>95,411</b>	<b>155,257</b>	<b>218,519</b>	<b>284,571</b>	<b>354,187</b>	<b>426,898</b>
Fx Translation	(79)		(22)	12		21	11										
<b>GAAP Total Comprehensive Income (Loss)</b>	<b>-</b>	<b>(15,061)</b>	<b>(4,296)</b>	<b>(7,112)</b>	<b>(7,589)</b>	<b>(8,399)</b>	<b>(27,397)</b>	<b>(30,134)</b>	<b>(34,279)</b>	<b>11,916</b>	<b>36,359</b>	<b>95,411</b>	<b>155,257</b>	<b>218,519</b>	<b>284,571</b>	<b>354,187</b>	<b>426,898</b>
<b>GAAP-EPS</b>	<b>(1.57)</b>	<b>(0.97)</b>	<b>(0.18)</b>	<b>(0.27)</b>	<b>(0.24)</b>	<b>(0.22)</b>	<b>(0.91)</b>	<b>(0.63)</b>	<b>(0.69)</b>	<b>0.23</b>	<b>0.68</b>	<b>1.71</b>	<b>2.67</b>	<b>3.61</b>	<b>4.52</b>	<b>5.41</b>	<b>6.26</b>
<b>Fully Diluted EPS</b>	<b>(1.69)</b>	<b>(0.90)</b>	<b>(0.18)</b>	<b>(0.27)</b>	<b>(0.24)</b>	<b>(0.22)</b>	<b>(0.91)</b>	<b>(0.74)</b>	<b>(0.81)</b>	<b>0.27</b>	<b>0.79</b>	<b>2.00</b>	<b>3.12</b>	<b>4.23</b>	<b>5.29</b>	<b>6.33</b>	<b>7.33</b>
Wgtd Avg Shrs (Bas) - '000s	10,732	15,799	23,799	26,711	31,588	38,518	30,091	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	30,091	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.

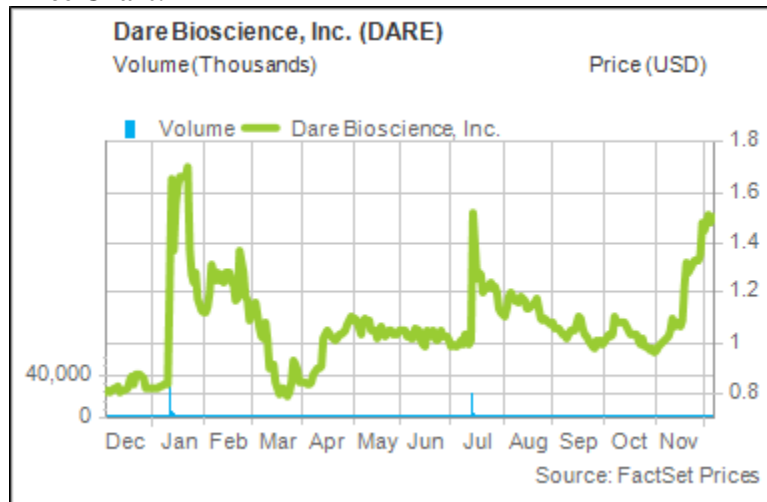
**Commercial risk.** There are no assurances that the company will be able to secure favorable pricing, commercially launch products, and achieve significant market share to become profitable.

**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  
 Price Target Change – Buy – 3/30/2021 – Price Target changed from \$4.00 to \$3.00

Dawson James Securities, Inc. (the “Firm”) is a member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”).

The Firm does not make a market in the securities of the subject company(s). The Firm has NOT engaged in investment banking relationships with Dare in the prior twelve months, as a manager or co-manager of a public offering and has NOT received compensation resulting from those relationships. The Firm may seek compensation for investment banking services in the future from the subject company(s). The Firm has NOT received any other compensation from the subject company(s) in the last 12 months for services unrelated to managing or co-managing of a public offering.

Neither the research analyst(s) whose name appears on this report nor any member of his (their) household is an officer, director or advisory board member of these companies. The Firm and/or its directors and employees may own securities of the company(s) in this report and may increase or decrease holdings in the future. As of February 28, 2021, the Firm as a whole did not beneficially own 1% or more of any class of common equity securities of the subject company(s) of this report. The Firm, its officers, directors, analysts or employees may affect transactions in and have long or short positions in the securities (or options or warrants related to those securities) of the company(s) subject to this report. The Firm may affect transactions as principal or agent in those securities.

Analysts receive no direct compensation in connection with the Firm's investment banking business. All Firm employees, including the analyst(s) responsible for preparing this report, may be eligible to receive non-product or service specific monetary bonus compensation that is based upon various factors, including total revenues of the Firm 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.

Although the statements in this report have been obtained from and are based upon recognized statistical services, issuer reports or communications, or other sources that the Firm believes to be reliable, we cannot guarantee their accuracy. All opinions and estimates included in this report constitute the analyst's judgment as of the date of this report and are subject to change without notice.

**Information about valuation methods and risks can be found in the "VALUATION" and "RISK ANALYSIS" sections of this report.**

The securities of the company discussed in this report may be unsuitable for investors depending on their specific investment objectives and financial position. This report is offered for informational purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such would be prohibited. Additional information is available upon request.

**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)	20	69%	6	30%
Market Perform (Neutral)	9	31%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	29	100%	6	21%

**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.