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## Dare Bioscience (NASDAQ/DARE)

### BUY: Reports the Quarter – Multiple Catalysts, Expect a Raise

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Dare reported 1Q21 results, highlighting multiple accomplishments, including the anticipated filing for BV1 in 2Q21. The company spent \$7.3M and closed the period with \$4.3M in cash. Our model assumes a capital raise.

### 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 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 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 expected by year-end 2022. Prior study data has shown that Ovaprene prevented essentially all progressively motile sperm from entering the cervical canal (mean 0.48, median 0.00, per high powered field), a surrogate marker for contraceptive effectiveness. In studies of similar size, products (diaphragms) that demonstrated no motile sperm in the cervical mucus during PCT assessments later demonstrated “typical use” contraceptive effectiveness of 86-91% in pivotal contraceptive studies evaluating pregnancy rates over six-month periods.

**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. The Phase 2b trial top-line data is expected by 4Q21.

**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 that are equally weighted and rounded to the nearest whole number, for a \$3.00 price target.

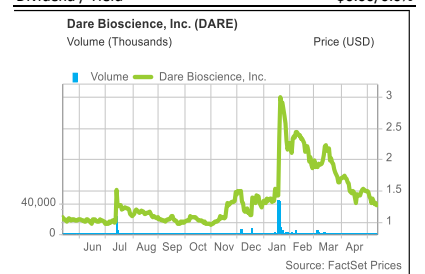
**Risks to our thesis include the following:** (1) commercial; (2) regulatory; (3) clinical; (4) manufacturing; (5) financial; (6) liability; and (7) intellectual property.

Current Price	\$1.27
Price Target	\$3.00

Estimates	F2019A	F2020A	F2021E
<b>Expenses (\$000s)</b>	\$ 14,345	\$ 27,402	\$ 30,136
1Q March	\$ 3,083	\$ 4,254	\$ 7,694
2Q June	\$ 3,982	\$ 7,126	\$ 6,934
3Q September	\$ 3,419	\$ 7,582	\$ 7,834
4Q December	\$ 3,861	\$ 8,441	\$ 7,675
	F2019A	F2020A	F2021E
<b>EPS (diluted)</b>	\$ (0.97)	\$ (0.91)	\$ (0.66)
1Q March	\$ (0.27)	\$ (0.18)	\$ (0.16)
2Q June	\$ (0.29)	\$ (0.27)	\$ (0.15)
3Q September	\$ (0.20)	\$ (0.24)	\$ (0.17)
4Q December	\$ (0.20)	\$ (0.22)	\$ (0.17)

EBITDA/Share	(\$0.90)	(\$0.91)	(\$0.66)
EV/EBITDA (x)	0.0	0.0	0.0

Stock Data		
52-Week Range	\$0.91	\$3.85
Shares Outstanding (mil.)	47.5	
Market Capitalization (mil.)	\$60	
Enterprise Value (mil.)	\$56	
Debt to Capital	0%	
Book Value/Share	\$2.20	
Price/Book	-	
Average Three Months Trading Volume (K)	1,129	
Insider Ownership	6.6%	
Institutional Ownership	9.6%	
Short interest (mil.)	2.4%	
Dividend / Yield	\$0.00/0.0%	



**Exhibit 1. Income Statement**

DARE: Income Statement (\$000)																					
12-MO Ending	2018A	2019A	1Q20A	2Q20A	3Q20A	4Q20A	2020A	1Q21A	2Q21E	3Q21E	4Q21E	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
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	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
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	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%	17%	17%	17%
General & Administrative	4,656	5,266	1,862	1,558	1,353	1,777	6,550	1,940	1,657	1,873	1,734	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	5,728	5,255	5,940	5,923	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	25	22	20	17	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>7,694</b>	<b>6,934</b>	<b>7,834</b>	<b>7,675</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>(7,694)</b>	<b>(6,934)</b>	<b>(7,834)</b>	<b>(7,675)</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	3	0	0	(2)	2	2	2	2	2	2	2	2	2	2
Trigger Down Dvd		(790)			(7)		(7)	370	(7)			370	(7)								
<b>Pretax Income</b>	<b>(16,739)</b>	<b>(15,054)</b>	<b>(4,252)</b>	<b>(7,124)</b>	<b>(7,590)</b>	<b>(8,441)</b>	<b>(27,408)</b>	<b>(7,330)</b>	<b>(6,933)</b>	<b>(7,833)</b>	<b>(7,677)</b>	<b>(29,774)</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																14,312	31,051	65,556	93,909	131,049	157,952
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>(7,330)</b>	<b>(6,933)</b>	<b>(7,833)</b>	<b>(7,677)</b>	<b>(29,774)</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>(16,896)</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>(7,330)</b>	<b>(6,933)</b>	<b>(7,833)</b>	<b>(7,677)</b>	<b>(29,774)</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>(0.16)</b>	<b>(0.15)</b>	<b>(0.17)</b>	<b>(0.17)</b>	<b>(0.66)</b>	<b>(0.73)</b>	<b>0.24</b>	<b>0.71</b>	<b>1.80</b>	<b>2.82</b>	<b>3.81</b>	<b>4.77</b>	<b>5.70</b>	<b>6.60</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>(0.16)</b>	<b>(0.15)</b>	<b>(0.17)</b>	<b>(0.17)</b>	<b>(0.66)</b>	<b>(0.73)</b>	<b>0.24</b>	<b>0.71</b>	<b>1.80</b>	<b>2.82</b>	<b>3.81</b>	<b>4.77</b>	<b>5.70</b>	<b>6.60</b>
Wtd Avg Shrs (Bas) - '000s	10,732	15,799	23,799	26,711	31,588	38,518	30,091	44,503	44,948	45,397	45,851	45,175	47,009	48,918	50,904	52,971	55,122	57,360	59,689	62,112	64,634
Wtd Avg Shrs (Dil) - '000s	11,422	16,736	23,799	26,711	31,588	38,518	30,091	44,503	44,948	45,397	45,851	45,175	47,009	48,918	50,904	52,971	55,122	57,360	59,689	62,112	64,634

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.

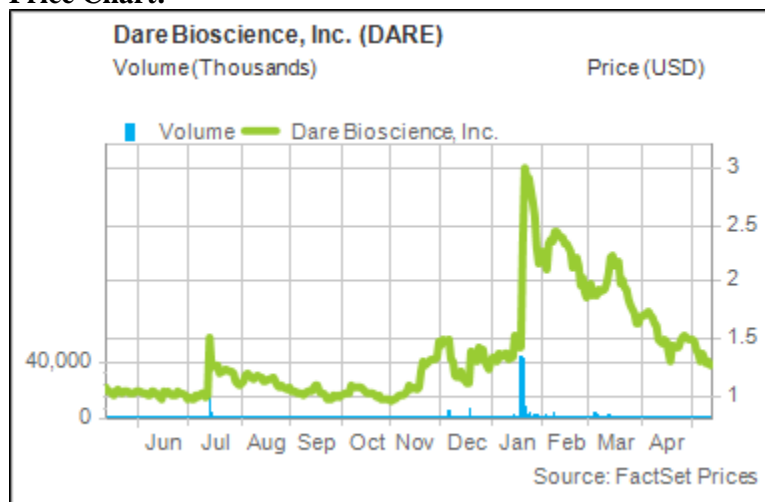
**Commercial risk.** There are no assurances that the company will be able to secure favorable pricing, commercially launch products, and achieve significant market share to become profitable.

**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  
 Update Report – Buy – 4/27/2021 – Price Target \$3.00  
 Update Report – Buy – 5/13/2021 – Price Target \$3.00

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As of: 5-May-21

Ratings Distribution	Company Coverage		Investment Banking	
	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	23	70%	5	22%
Market Perform (Neutral)	10	30%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	33	100%	5	15%

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