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Dare Bioscience (NASDAQ/DARE)

BUY: Raise Cash as Share Count Goes from 50 to 71M

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Third -quarter update: Dare closed the period with \$45M in cash (Dare raised \$60M). Expenses were high with G&A at \$2.2M and R&D was \$104M, which translated into a net loss of \$12.6M in the period.

Investment Highlights

BV1: A thermosetting bio-adhesive hydrogel formulated with clindamycin phosphate 2% as a first-line, single-administration treatment for bacterial vaginosis. New Drug Application (NDA) accepted for filing and granted priority review by the FDA in 3Q 2021; PDUFA target action date of December 7, 2021;

Female Viagra: Sildenafil Cream, 3.6%: An investigational cream formulation of sildenafil, the active ingredient in Viagra, for topical administration to treat female sexual arousal disorder (FSAD). Continue Phase 2b RESPOND clinical study in 2021 and 2022

Ovaprene: This is an investigational hormone-free monthly intravaginal contraceptive whose U.S. commercial rights are under a license agreement with Bayer Announced Collaborative Research and Development Agreement (CRADA) for a pivotal Phase 3 study in the U.S. with Eunice Kennedy Shriver National Institute of Child Health and Human Development (NICHD), a division of the National Institutes of Health (NIH), in 3Q 2021. Submit IDE to the FDA for a pivotal Phase 3 clinical study in the U.S. in 4Q 2021. Commence the pivotal Phase 3 clinical study in 2022

DARE-HRT1: An investigational 28-day intravaginal ring (IVR) containing bio-identical estradiol and bio-identical progesterone for the treatment of vasomotor symptoms and genitourinary syndrome associated with menopause. Submit data from the Phase 1 clinical study for publication in a peer-reviewed journal and scope development strategy for DARE-HRT1.

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 2025. 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: (1) commercial; (2) clinical and regulatory; (3) partnership; (4) financial; and (5) legal and intellectual property.

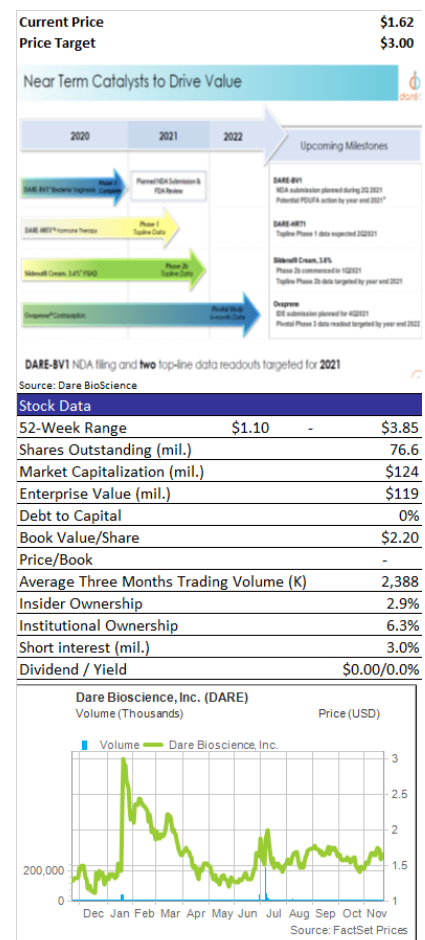


Exhibit 1. Income Statement

DARE: Income Statement (\$'000)																	
YE December	2018A	2019A	2020A	1Q21A	2Q21A	3Q21A	4Q21E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue:																	
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	2,245,765	2,947,017	3,446,180	3,715,473	3,865,579
Total Product Sales				-	-	-	-	-	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
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				-	-	-	-	-	3,434	53,395	220,747	511,038	762,922	1,001,972	1,192,744	1,329,794	1,440,959
Total Revenue Received by Dare				-	-	-	-	-	3,434	53,395	220,747	511,038	762,922	1,001,972	1,192,744	1,329,794	1,440,959
Expenses:																	
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	6,550	1,940	1,798	2,211	1,255	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	20,769	5,728	7,340	10,432	(654)	22,846	29,700	32,670	35,937	35,219	34,514	33,824	32,471	31,172	30,549
License Expense	625	533	83	25	25	25	10	85	89	94	98	103	108	114	120	126	132
Impairment of Goodwill	5,188																
Total Expenses	16,882	14,345	27,402	7,694	9,163	12,668	611	30,136	37,714	41,481	45,625	45,870	46,226	46,701	46,630	46,741	47,668
Operating Income (Loss)	(16,882)	(14,345)	(27,402)	(7,694)	(9,163)	(12,668)	(611)	(30,136)	(34,280)	11,914	36,358	95,409	155,255	218,517	284,569	354,185	426,896
Other income (expense)	143	81	2	3	(9)	2	6	2	2	2	2	2	2	2	2	2	2
Trigger Down Dvd		(790)	(7)	370			(7)	370									
Pretax Income	(16,739)	(15,054)	(27,408)	(7,330)	(9,172)	(12,667)	(605)	(29,774)	(34,279)	11,916	36,359	95,411	155,257	218,519	284,571	354,187	426,898
Income Taxes												14,312	31,051	65,556	93,909	131,049	157,952
Tax Rate											0%	15%	20%	30%	33%	37%	37%
GAAP Net Income (Loss)	(16,817)	(15,061)	(27,408)	(7,330)	(9,172)	(12,604)	(605)	(29,711)	(34,279)	11,916	36,359	95,411	155,257	218,519	284,571	354,187	426,898
Fx Translation	(79)		11			63											
GAAP Total Comprehensive Income (Loss)	-	(15,061)	(27,397)	(7,330)	(9,172)	(12,667)	(605)	(29,711)	(34,279)	11,916	36,359	95,411	155,257	218,519	284,571	354,187	426,898
GAAP-EPS	(1.57)	(0.97)	(0.91)	(0.16)	(0.18)	(0.18)	(0.01)	(0.53)	(0.47)	0.16	0.46	1.15	1.81	2.44	3.06	3.66	4.23
Fully Diluted EPS	(1.69)	(0.90)	(0.91)	(0.16)	(0.18)	(0.18)	(0.01)	(0.53)	(0.47)	0.16	0.46	1.15	1.81	2.44	3.06	3.66	4.23
Wgtd Avg Shrs (Bas) - '000s	10,732	15,799	30,091	44,503	50,437	70,775	71,483	59,299	73,288	76,264	79,360	82,583	85,936	89,425	93,056	96,834	100,766
Wgtd Avg Shrs (Dil) - '000s	11,422	16,736	30,091	44,503	50,437	70,775	71,483	59,299	73,288	76,264	79,360	82,583	85,936	89,425	93,056	96,834	100,766

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.

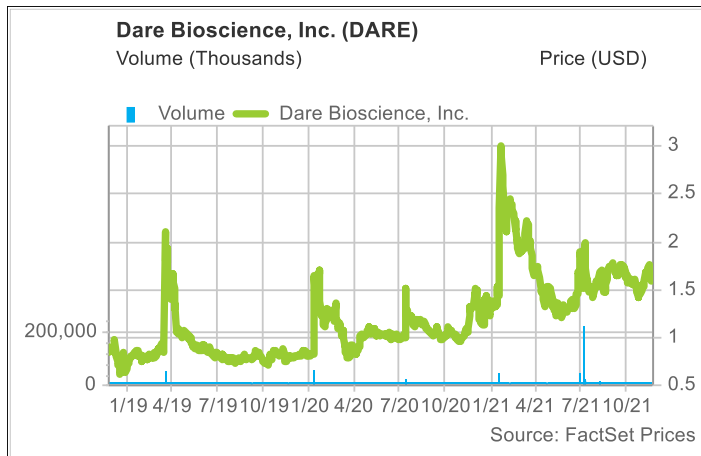
Commercial risk. There are no assurances that the company will be able to secure favorable pricing, commercially launch products, and achieve significant market share to become profitable.

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
 Update Report – Buy – 6/29/2021 – Price Target \$3.00
 Update Report – Buy – 8/9/2021 – Price Target \$3.00
 Update Report – Buy – 8/12/2021 – Price Target \$3.00
 Update Report – Buy – 11/23/2021 – Price Target \$3.00

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Current as of... 15-Nov-21

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	25	69%	5	20%
Market Perform (Neutral)	11	31%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	36	100%	5	14%

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