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## Daré Bioscience (NASDAQ/DARE)

### BUY: Deal with Organon Closes for XACIATO

*Daré announced that the license agreement (March 31, 2022) with Organon (OGN-Not Rated) is now effective. Under the agreement, Organon licensed global rights to XACIATO (clindamycin phosphate vaginal gel, 2%), which is now FDA-approved for the treatment of bacterial vaginosis in females 12 years of age and older. Daré now receives a \$10M payment from Organon and is eligible for milestone payments of up to \$182.5M and tiered double-digit royalties based on net sales. XACIATO is expected to be available commercially in the U.S. in Q4 2022.*

### Investment Highlights

**Why is the Stock Down? Daré has fallen from a recent peak of \$1.84 to a low of approximately \$0.94. Why?** Management announced a deal for BV1. An exclusive global license agreement with Organon to commercialize XACIATO which is now effective. The license includes a \$10M cash payment upon effective U.S. commercial launch of XACIATO, expected in 4Q-2022. In addition, milestones could total \$182M plus double-digit royalties on sales. Daré also reported full-year 2021 results closing the year with \$52M in cash. While some might be disappointed with this news, we are not. The company has a strong cash position and solid pipeline.

**Daré' Lists the 2022 Key Goals** (from the quarter's press release);

- **XACIATO™—U.S. commercial launch in 4Q-2022**
- **Ovaprene®—Approval of Investigational Device Exemption (IDE) submission by the FDA allowing commencement of pivotal Phase 3 clinical study in 2022**
- **DARE-VVA1—Phase 1/2 clinical study topline data in 2H-2022**
- **Sildenafil Cream, 3.6%—Phase 2b RESPOND clinical study interim analysis in 2022 and updated timeframe for topline data**
- **DARE-HRT1—Phase 1/2 clinical study topline data in 4Q-2022**

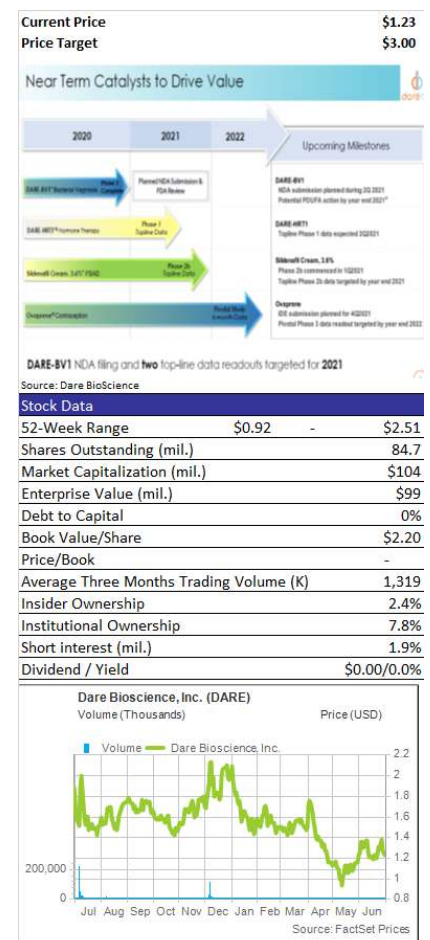
**Valuation:** We assume that DARE-BV1 can be commercialized in 2023 and that Ovaprene can follow in the U.S. (2023) and in the EU in 2025. For Sildenafil cream, we expect commercialization in the U.S. in 2024 and in the EU in 2025. We assume a 30% discount rate in our Free Cash Flow to the Firm (FCFF), 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.

July 1, 2022

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**Exhibit 1. Income Statement**

DARE: Income Statement (\$000)													
YE December	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Revenue:</b>													
DARE-BV1				-			61,058	90,740	132,156	157,122	204,318	233,807	265,341
Ovaprene							97,747	312,168	539,450	780,176	1,034,949	1,304,400	1,589,181
Sildenafil Cream							-	1,479,033	2,245,765	2,947,017	3,446,180	3,715,473	3,865,579
<b>Total Product Sales</b>				-	-	-	158,805	1,881,942	2,917,371	3,884,315	4,685,447	5,253,680	5,720,100
DARE-BV1 Royalty Revenue (US)				-			15,264	22,685	33,039	39,281	51,079	58,452	66,335
Ovaprene Royalty Revenue (US)							24,437	50,350	77,805	106,873	137,626	170,139	204,490
Ovaprene Royalty Revenue (EU)								27,692	57,057	88,171	121,111	155,961	192,805
Sildenafil Cream Royalty Revenue (US)							-	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
<b>Total royalties, collaborative revenue</b>				-	-	-	39,701	470,485	729,343	971,079	1,171,362	1,313,420	1,430,025
<b>Total Revenue Received by Dare</b>				-	-	-	39,701	470,485	729,343	971,079	1,171,362	1,313,420	1,430,025
<b>Expenses:</b>													
Costs of Goods Sold				-	-	-	6,749	79,983	123,988	165,083	199,131	223,281	243,104
%COGS		17%	17%	17%	17%	17%	17%	17%	17%	17%	17%	17%	17%
General & Administrative	4,656	5,266	6,550	8,351	9,186	10,105	11,115	12,227	13,449	14,794	16,274	17,901	19,691
Research & Development	6,414	8,546	20,769	30,618	32,148	33,756	37,131	36,389	35,661	34,948	33,550	32,208	31,564
License Expense	625	533	83	100	105	110	116	122	128	134	141	148	155
Impairment of Goodwill	5,188												
<b>Total Expenses</b>	<b>16,882</b>	<b>14,345</b>	<b>27,402</b>	<b>39,069</b>	<b>41,439</b>	<b>43,971</b>	<b>48,362</b>	<b>48,737</b>	<b>49,238</b>	<b>49,876</b>	<b>49,964</b>	<b>50,257</b>	<b>51,410</b>
Operating Income (Loss)	(16,882)	(14,345)	(27,402)	(39,069)	(41,439)	(43,971)	(8,661)	51,990	118,664	184,448	259,853	334,295	412,220
Other income (expense)	143	81	2	2	2	2	2	2	2	2	2	2	2
Trigger Down Dvd		(790)	(7)	2,520									
				397									
<b>Pretax Income</b>	<b>(16,739)</b>	<b>(15,054)</b>	<b>(27,408)</b>	<b>(38,696)</b>	<b>(41,438)</b>	<b>(43,969)</b>	<b>(8,659)</b>	<b>51,992</b>	<b>118,666</b>	<b>184,451</b>	<b>259,855</b>	<b>334,297</b>	<b>412,223</b>
Income Taxes							-	7,799	23,733	55,335	85,752	123,690	152,522
Tax Rate							0%	15%	20%	30%	33%	37%	37%
<b>GAAP Net Income (Loss)</b>	<b>(16,817)</b>	<b>(15,061)</b>	<b>(27,408)</b>	<b>(38,645)</b>	<b>(41,438)</b>	<b>(43,969)</b>	<b>(8,659)</b>	<b>51,992</b>	<b>118,666</b>	<b>184,451</b>	<b>259,855</b>	<b>334,297</b>	<b>412,223</b>
Fx Translation	(79)		11	64									
<b>GAAP Total Comprehensive Income (Loss)</b>	<b>-</b>	<b>(15,061)</b>	<b>(27,397)</b>	<b>(38,759)</b>	<b>(41,438)</b>	<b>(43,969)</b>	<b>(8,659)</b>	<b>51,992</b>	<b>118,666</b>	<b>184,451</b>	<b>259,855</b>	<b>334,297</b>	<b>412,223</b>
<b>GAAP-EPS</b>	<b>(1.57)</b>	<b>(0.97)</b>	<b>(0.91)</b>	<b>(0.63)</b>	<b>(0.49)</b>	<b>(0.50)</b>	<b>(0.09)</b>	<b>0.54</b>	<b>1.19</b>	<b>1.77</b>	<b>2.40</b>	<b>2.97</b>	<b>3.52</b>
<b>Fully Dilluted EPS</b>	<b>(1.69)</b>	<b>(0.90)</b>	<b>(0.91)</b>	<b>(0.63)</b>	<b>(0.49)</b>	<b>(0.50)</b>	<b>(0.09)</b>	<b>0.54</b>	<b>1.19</b>	<b>1.77</b>	<b>2.40</b>	<b>2.97</b>	<b>3.52</b>
Wgtd Avg Shrs (Bas) - '000s	10,732	15,799	30,091	61,154	85,212	88,672	92,272	96,019	99,917	103,974	108,196	112,589	117,161
Wgtd Avg Shrs (Dil) - '000s	11,422	16,736	30,091	61,154	85,212	88,672	92,272	96,019	99,917	103,974	108,196	112,589	117,161

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 Daré 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.** Daré 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.

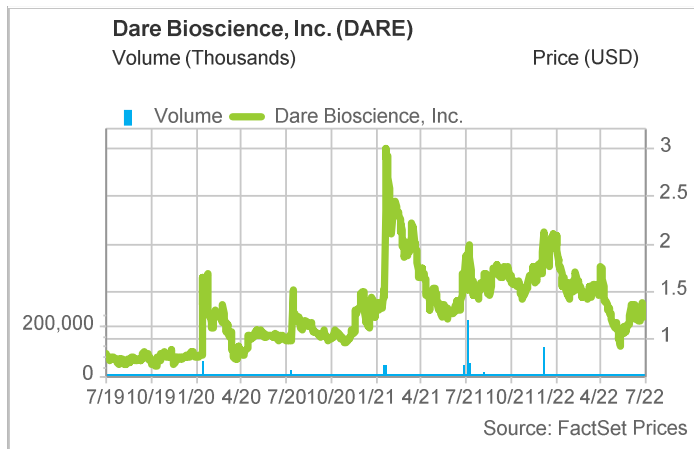
**Commercial risk.** There are no assurances that the company will be able to secure favorable pricing, commercially launch products, and achieve significant market share to become profitable.

**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
- Update Report – Buy – 12/8/2021 - Price Target \$3.00
- Update Report – Buy – 2/28/2022 - Price Target \$3.00
- Update Report – Buy – 3/31/2022 - Price Target \$3.00
- Update Report – Buy – 4/20/2022 - Price Target \$3.00
- Update Report – Buy – 5/12/2022 - Price Target \$3.00
- Update Report – Buy – 7/1/2022 - Price Target \$3.00

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- 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.

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Current as of 16-Jun-22

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	31	72%	4	13%
Market Perform (Neutral)	12	28%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	43	100%	4	9%

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