

DarioHealth Reports Record Quarterly Revenues in its 2022 First Quarter

May 12, 2022

Total Q1 revenue of \$8.06 million increased 124% over the comparable prior year period and 34% sequentially over Q4 2021

Accelerated Business-to-Business (B2B) transformation with 14 new B2B accounts in Q1 2022, including two health plans

Expanded GAAP gross margin to 49.4% and non-GAAP gross margin to 61%

Improved overall financial profile with increasing B2B revenue and reduced operating costs as B2B business matures resulting in a lower net loss compared to Q4 2021

Company to host conference call and webcast 8:30 am ET today

NEW YORK, May 12, 2022 [/PRNewswire/](#) -- DarioHealth Corp. (Nasdaq: DRIO), a leader in the global digital therapeutics (DTx) market, today reported financial results for the first quarter 2022 and provided a corporate and commercial update.

"Our first quarter results reflect our increasingly successful transition to a B2B model with growing revenue and gross margins," stated Erez Raphael, Chief Executive Officer of Dario. "We increased revenue nearly 124% over the first quarter of last year and nearly 34% sequentially, and we expanded our gross margin on a GAAP basis to 49.4% and on a non-GAAP basis to 61%.

Additionally, in light of the demonstrable traction and increasing revenue in the B2B (commercial) market segment, we continued to rationalize marketing spend in the direct-to-consumer segment resulting in improved margins which drove a significantly narrower net loss and cash burn rate as compared to the fourth quarter of 2021. With the strategic agreement executed with Sanofi U.S. (Sanofi) and the \$40 million financing that we closed in the quarter, we believe that we are in an excellent position to achieve our financial and operational goals for the foreseeable future," Mr. Raphael concluded.



"In addition to the innovative, multi-year collaboration that we announced with Sanofi, we had a very productive quarter, adding 14 new B2B contracts, including two additional health plans, which we expect will contribute revenues in the back half of this year," stated Rick Anderson, President and General Manager of North America. "We continue to see increasing interest and demand for our integrated, multi-chronic condition platform, which continues to grow, and we anticipate announcing many more customer conversions from our growing pipeline over the remainder of the year."

Q1 2022 and Recent Highlights

- Generated total revenue of \$8.06 million, representing an increase of 124% from the first quarter of 2021, and 34% from the fourth quarter of 2021.
- Added 14 new accounts across the employer, health plan and provider channels during Q1, reflecting continued momentum of B2B segment.
- Signed a multi-year, multi-faceted \$30 million agreement with Sanofi to accelerate adoption of Dario's solution within the payer channel through joint sales efforts and drive innovation through shared research initiatives and development of new products for use on Dario's platform.
- Expanded GAAP gross margins to 49.4% and non-GAAP gross margins to 61%.
- Raised \$40 million through a registered direct offering priced at the market.
- Announced acquisition of Physimax, a leading provider of validated computer vision for musculoskeletal health.
- Presented new clinical research demonstrating improved outcomes for participants using a single integrated digital solution to manage multiple chronic conditions at the Advanced Technologies and Treatments for Diabetes (ATTD) Conference, held April 27th – 30th.

First Quarter 2022 Results Summary

Revenues for the first quarter ended March 31, 2022, were \$8.06 million, a 34% sequential increase from fourth quarter ended December 31, 2021, and a 124% increase from the \$3.6 million in the first quarter ended March 31, 2021. The increase in revenues resulted from increased revenues in our B2B commercial market segment.

Gross profit in the first quarter of 2022 was \$4.0 million, an increase of \$2.9 million, compared to gross profit of \$1.1 million in the first quarter of 2021. Gross profit as a percentage of revenues increased from 30.1% in the first quarter of 2021 to 49.4% in the first quarter of 2022.

Pro-forma gross profit, excluding \$932,000 of non-cash amortization of expenses related to the acquisition of technology, was \$4.9 million, or 61% of revenues, for the three months ended March 31, 2022.

Total operating expenses for the first quarter of 2022 were \$19.9 million compared with \$15.4 million for the first quarter of 2021 and \$22.2 million in the fourth quarter of 2021, an increase of \$4.5 million, or 28.9%, compared to the first quarter of 2021, and a decrease of \$2.3 million, or 10.6%, compared to the fourth quarter of 2021. The increase compared to the first quarter of 2021 resulted from an increase in our operating expenses. The decrease compared to the fourth quarter of 2021 resulted from a decrease in our direct to consumer marketing expenses. Total operating expenses excluding stock-based compensation, acquisition expenses and depreciation for the first quarter of 2022 were \$14.8 million compared to \$10.6 million for the first quarter of 2021, and \$16.4 million in the fourth quarter of 2021.

Operating loss for the first quarter of 2022 was \$15.9 million, an increase of \$1.55 million, or 10.8%, compared to the \$14.3 million operating loss in the first quarter of 2021, and a decrease of \$5.8 million or 26.7% compared to the \$21.7 million operating loss in the fourth quarter of 2021. The increase compared to the first quarter of 2021 was mainly due to the increase in our operating expenses, and the decrease compared to the fourth quarter of 2021 was mainly due to the increase in the gross profit and the decrease in operating expenses.

Net loss was \$15.9 million in the first quarter of 2022, an increase of \$0.9 million, or 6.3%, compared to the \$15 million net loss in the first quarter of 2021, and a decrease of \$5.7 million, or 26.3% compared to the fourth quarter of 2021. Net loss excluding stock-based compensation, acquisition expenses and depreciation for the first quarter of 2022 was \$9.9 million compared to \$9.6 million for the first quarter of 2021 and \$14.9 million in the fourth quarter of 2021.

Non-GAAP billings for the three months ended March 31, 2022, were \$7.96 million, a 116% increase from \$3.69 million reported for the three months ended March 31, 2021. The increase is a result of higher sales generated in the three months ended March 31, 2022, compared to the three months ended March 31, 2021. A reconciliation of GAAP to non-GAAP measures has been provided in the financial statement tables included in this press release. An explanation of these measures is also included below under the heading "Non-GAAP Financial Measures."

Conference Call Details: Thursday, May 12, 8:30am ET

Dial-in Number: 844-826-3035

International Dial-in: 412-317-5195

Conference ID: DarioHealth First Quarter 2022 Results Call

Webcast: https://viaid.webcasts.com/starthere.jsp?ei=1547229&tp_key=ae83ab1839

Participants are asked to dial-in approximately 10 minutes prior to the start of the event. A replay of the call will be available approximately two hours after completion through June 12, 2022. To listen to the replay, dial 844-512-2921 (domestic) or 412-317-6671 (international) and use replay passcode 10166824.

About DarioHealth Corp.

DarioHealth Corp. (Nasdaq: DRIO) is a leading global digital therapeutics company revolutionizing how people with chronic conditions manage their health. DarioHealth offers one of the most comprehensive digital therapeutics solutions on the market - covering multiple chronic conditions including diabetes, hypertension, weight management, musculoskeletal and behavioral health within one integrated technology platform.

Dario's next-generation, AI-powered, digital therapeutic platform supports more than just an individual's disease. Dario provides adaptive, personalized experiences that drive behavior change through evidence-based interventions, intuitive, clinically proven digital tools, high-quality software, and coaching to help individuals improve health and sustain meaningful outcomes.

Dario's unique user-centric approach to product design and engagement creates an unparalleled experience that is highly rated by users and delivers sustainable results.

The company's cross-functional team operates at the intersection of life sciences, behavioral science, and software technology and utilizes a performance-based approach to improve its users' health.

On the path to better health, Dario makes the right thing to do the easy thing to do. To learn more about DarioHealth and its digital health solutions or for more information, visit <http://dariohealth.com>.

Cautionary Note Regarding Forward-Looking Statements

This news release and the statements of representatives and partners of DarioHealth Corp. (the "Company") related thereto contain or may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as "plan," "project," "potential," "seek," "may," "will," "expect," "believe," "anticipate," "intend," "could," "estimate" or "continue" are intended to identify forward-looking statements. For example, the Company is using forward-looking statements in this press release when it discusses that its first quarter results reflect its increasingly successful transition to a B2B model with growing revenue and gross margins, the belief that it is in an excellent position to achieve its financial and operational goals for the foreseeable future, the expected timing of the contribution of revenues from its new B2B contracts, the interest and demand seen for its platform and its anticipation of announcing many more customer conversions from its growing pipeline over the remainder of the year. Readers are cautioned that certain important factors may affect the Company's actual results and could cause such results to differ materially from any forward-looking statements that may be made in this news release. Factors that may affect the Company's results include, but are not limited to, regulatory approvals, product demand, market acceptance, impact of competitive products and prices, product development, commercialization or technological difficulties, the success or failure of negotiations and trade, legal, social and economic risks, and the risks associated with the adequacy of existing cash resources. Additional factors that could cause or contribute to differences between the Company's actual results and forward-looking statements include, but are not limited to, those risks discussed in the Company's filings with the U.S. Securities and Exchange Commission. Readers are cautioned that actual results (including, without limitation, the timing for and results of the Company's commercial and regulatory plans for Dario™ as described herein) may differ significantly from those set forth in the forward-looking statements. The Company undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

Non-GAAP Financial Measures

We have provided in this release financial information that has not been prepared in accordance with Generally Accepted Accounting Principles (GAAP). These non-GAAP financial measures are not based on any standardized methodology prescribed by GAAP and are not necessarily comparable to similar measures presented by other companies. We use these non-GAAP financial measures internally in analyzing our financial results and believe they are useful to investors, as a supplement to GAAP measures, in evaluating our ongoing operational performance. We believe that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing our financial results with peer companies, many of which present similar non-GAAP financial measures to investors.

Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Investors are encouraged to review the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures provided in the financial statement tables below.

Billings (non-GAAP). We define billings as revenue recognized in accordance with GAAP plus the change in deferred revenue from the beginning to the end of the period and adjustment to the deferred revenue balance due to adoption of the new revenue recognition standard less any deferred revenue balances acquired from business combination(s) during the period. We consider billings to be a useful metric for management and investors because billings drive future revenue, which is an important indicator of the health and viability of our business. There are a number of limitations related to the use of billings instead of GAAP revenue. First, billings include amounts that have not yet been recognized as revenue and are impacted by the term of security and support agreements. Second, we may calculate billings in a manner that is different from peer companies that report similar financial measures. Management accounts for these limitations by providing specific information regarding GAAP revenue and evaluating billings together with GAAP revenue.

Operating expenses (non-GAAP). Our presentation of non-GAAP operating expenses excludes stock-based compensation expenses. Due to varying available valuation methodologies, subjective assumptions, and the

variety of equity instruments that can impact a company's non-cash operating expenses, we believe that providing non-GAAP financial measures that exclude non-cash expense provides us with an important tool for financial and operational decision making and for evaluating our own core business operating results over different periods of time.

Net loss (non-GAAP). Our presentation of adjusted net loss excludes the effect of certain items that are non-GAAP financial measures. Adjusted net loss represents net loss determined under GAAP without regard to stock-based compensation expenses, deferred inventory and depreciation of fixed assets. We believe these measures provide useful information to management and investors for analysis of our operating results.

DARIOHEALTH CORP. AND ITS SUBSIDIARIES
INTERIM CONSOLIDATED BALANCE SHEETS
U.S. dollars in thousands

	March 31, 2022	December 31, 2021
	Unaudited	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 55,558	\$ 35,808
Short-term restricted bank deposits	190	192
Trade receivables	4,574	1,310
Inventories	7,783	6,228
Other accounts receivable and prepaid expenses	3,271	2,067
<u>Total current assets</u>	71,376	45,605
NON-CURRENT ASSETS:		
Deposits	7	20
Operating lease right of use assets	280	287
Long-term assets	16	57
Property and equipment, net	698	702
Intangible assets, net	13,314	12,460
Goodwill	41,640	41,640
<u>Total non-current assets</u>	55,955	55,166
<u>Total assets</u>	\$ 127,331	\$ 100,771

DARIOHEALTH CORP. AND ITS SUBSIDIARIES
INTERIM CONSOLIDATED BALANCE SHEETS
U.S. dollars in thousands (except stock and stock data)

	March 31, 2022	December 31, 2021
	Unaudited	
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 4,228	\$ 5,109
Deferred revenues	1,093	1,195
Operating lease liabilities	212	266
Other accounts payable and accrued expenses	7,192	7,806

Earn out liability	373	825
<u>Total current liabilities</u>	13,098	15,201
NON-CURRENT LIABILITIES		
Operating lease liabilities	48	21
<u>Total non-current liabilities</u>	48	21
STOCKHOLDERS' EQUITY		
Common stock of \$0.0001 par value - Authorized: 160,000,000 shares at March 31, 2022 (unaudited) and December 31, 2021; Issued and Outstanding: 22,070,963 and 16,573,420 shares at March 31, 2022 (unaudited) and December 31, 2021, respectively	2	2
Preferred stock of \$0.0001 par value - Authorized: 5,000,000 shares at March 31, 2022 (unaudited) and December 31, 2021; Issued and Outstanding: 10,897 and 11,927 shares at March 31, 2022 (unaudited) and December 31, 2021, respectively	*) -	*) -
Additional paid-in capital	352,564	307,561
Accumulated deficit	(238,381)	(222,014)
<u>Total stockholders' equity</u>	114,185	85,549
<u>Total liabilities and stockholders' equity</u>	\$ 127,331\$	100,771

DARIOHEALTH CORP. AND ITS SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
U.S. dollars in thousands (except stock and stock data)

	Three months ended	
	March 31,	
	2022	2021
	Unaudited	
Revenues	\$ 8,059\$	3,595
Cost of revenues (excluding of amortization and inventories step-up shown separately below)	3,142	1,988
Amortization of acquired intangible assets and inventories step-up	932	526
Gross profit	3,985	1,081
Operating expenses:		
Research and development	\$ 5,927\$	2,655
Sales and marketing	9,535	7,132
General and administrative	4,395	5,621
Total operating expenses	19,857	15,408
Operating loss	15,872	14,327
Total financial expenses, net	44	639
Net loss	\$ 15,916\$	14,966
Deemed dividend	\$ 451\$	544
Net loss attributable to holders of common stock	\$ 16,367\$	15,510
Net loss per share:		
Basic and diluted loss per share	\$ 0.74\$	0.92

Weighted average number of common stock used in computing basic 19,624,079 14,025,921
and diluted net loss per share

DARIOHEALTH CORP. AND ITS SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
U.S. dollars in thousands

	Three months ended March 31, 2022 2021 Unaudited	
<u>Cash flows from operating activities:</u>		
Net loss	\$(15,916)	\$(14,966)
Adjustments required to reconcile net loss to net cash used in operating activities:		
Stock-based compensation, common stock, and payment in stock to directors, employees, consultants, and service providers	5,343	4,438
Depreciation	70	64
Change in operating lease right of use assets	7	6
Amortization of acquired inventories step-up	-	151
Amortization of acquired intangible assets	963	375
Decrease (increase) in trade receivables	(3,264)	318
Decrease (increase) in other accounts receivable, prepaid expense and long-term assets	(1,550)	207
Increase in inventories	(1,555)	(32)
Increase in trade payables	(890)	(544)
Decrease in other accounts payable and accrued expenses	(721)	(609)
Increase (decrease) in deferred revenues	(102)	93
Change in operating lease liabilities	(27)	(33)
Remeasurement of earn-out	(452)	-
Net cash used in operating activities	(18,094)	(10,532)
<u>Cash flows from investing activities:</u>		
Purchase of property and equipment	(66)	(68)
Cash paid as part of Upright Technologies Ltd. acquisition	-	(2,472)
Intangible assets purchases incurred, Physimax Technologies LTD.	(115)	-
Net cash used in investing activities	(181)	(2,540)
<u>Cash flows from financing activities:</u>		
Proceeds from issuance of common stock and prefunded warrants net of issuance costs	38,023	64,877
Proceeds from exercise of warrants	-	633
Proceeds from exercise of options	-	201
Net cash provided by financing activities	38,023	65,711
Increase in cash, cash equivalents and restricted cash and cash equivalents	19,748	52,639
Cash, cash equivalents and restricted cash and cash equivalents at beginning of period	35,948	28,725
Cash, cash equivalents and restricted cash and cash equivalents at end of period	\$ 55,696	\$ 81,364

Reconciliation of Revenue to Billing (Non-GAAP)
U.S. dollars in thousands

**Three Months Ended
March 31,**

	<u>2022</u>	<u>2021</u>
GAAP Revenue	8,059	3,595
Add:		
Change in deferred revenue	(102)	93
Billing (Non-GAAP)	7,957	3,688

Reconciliation of Operating Loss, Net Loss and Operating Expenses to Adjusted Operating Loss, Net Loss and Operating Expenses (Non-GAAP)
U.S. dollars in thousands

Three months ended March 31, 2022

	GAAP	Stock-Based Compensation Expenses	Earn-out revaluation, acquisition costs, amortization of acquisition related expenses and depreciation of fixed assets	Non-GAAP
Cost of Revenues	\$ 4,074	(23)	(954)	3,097
Gross Profit	3,985	23	954	4,962
Research and development	5,927	(1,488)	(11)	4,428
Sales and Marketing	9,535	(1,651)	(41)	7,843
General and Administrative	4,395	(2,181)	338	2,552
Total Operating Expenses	19,857	(5,320)	286	14,823
Operating Loss	\$(15,872)	5,343	668	(9,861)
Financing income	44	-	-	44
Income Tax	-	-	-	-
Net Loss	\$(15,916)	5,343	668	(9,905)

Three months ended March 31, 2021

	GAAP	Stock-Based Compensation Expenses	Amortization of acquisition Related expenses and depreciation of Fixed Assets	Non-GAAP
Cost of Revenues	\$ 2,514	(13)	(557)	1,944
Gross Profit	1,081	13	557	1,651
Research and development	2,655	(414)	(15)	2,226
Sales and Marketing	7,132	(1,035)	(11)	6,086
General and Administrative	5,621	(2,976)	(385)	2,260
Total Operating Expenses	15,408	(4,425)	(411)	10,572
Operating Loss	\$(14,327)	4,438	968	(8,921)
Financing income	639	-	-	639
Net Loss	\$(14,966)	4,438	968	(9,560)

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SOURCE DarioHealth Corp.

Additional assets available online:

 [Photos](#) (1)

<https://dariohealth.investorroom.com/2022-05-12-DarioHealth-Reports-Record-Quarterly-Revenues-in-its-2022-First-Quarter>

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