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# *Transcript of DarioHealth Corporation*
## Third Quarter 2019 Earnings Call
## October 28, 2019

## Participants

Erez Raphael – Chief Executive Officer
Olivier Jarry – President and CCO
Zvi Ben-David – Chief Financial Officer

## Analysts

Alex Nowak - Craig-Hallum Capital Group
Benjamin Haynor - Alliance Global

## Presentation

**Operator**
Welcome and thank you for joining DarioHealth Third Quarter Earnings Conference Call. Hosting the call today are Erez Raphael, Chief Executive Officer; Olivier Jarry, President and Chief Commercial Officer; and Zvi Ben-David, Chief Financial Officer.

I'd like to remind everyone that during the course of this call, management will make, express and imply [ph] forward-looking statements within the Private Securities Litigation Reform Act of 1995, and other US Federal Securities laws. DarioHealth does not assume any obligation to update that information.

Actual events or results may differ materially from those projected as a result of changing market trends, reduced demand and competitive nature of DarioHealth's industries. Such forward-looking statements and their implications involve known and unknown risks, uncertainties and other factors that may cause actual results or performance to differ materially from those projected.

The forward-looking statements discussed on this call are subject to other risks and uncertainties, including those discussed in the Risk Factors section and elsewhere in the company's Annual Report on Form 10-K for the year ended December 31, 2018, filed with the Securities and Exchange Commission.

In addition, certain non-GAAP financial measures may be discussed during this call. These non-GAAP measures are used by management to make strategic decisions, forecast future results and evaluate the company's current performance. Management believes, the presentation of these non-GAAP financial measures is useful for investors understanding and assessment of the company's ongoing core operation and prospects for the future. A reconciliation of these non-GAAP measures to the most comparable GAAP measures is included in today's press release regarding our quarterly results.

And with that, I'd like to introduce Erez Raphael, Chief Executive Officer of DarioHealth. Mr. Raphael?

**Erez Raphael - Chief Executive Officer**
Thank you. Welcome and thank you for joining DarioHealth's third quarter earnings conference call. I would like to start by thanking our shareholders, strategic partners, employees and our Board of Directors for contributing to

our initial success of transforming DarioHealth from an R&D organization focused on direct-to-consumer channel alone to a full scale commercial organization, well positioned to win the B2B channel.

With signed B2B contracts in hand and reached pipeline of opportunities in front of us, we believe that we are in an inflection point in the lifecycle of the company. Since inception, DarioHealth has been focused on developing our technology in conjunction with consumers, creating a disruptive platform, unmatched in its patient centric approach.

We wanted to develop an application that had the best-in-class engagement that drove best-in-class clinical results, and this is exactly what we did. This statement is supported by multiple publications and presentations at the ADA and other medical conferences utilizing real world data, showing that patients can dramatically reduce the HbA1c level, reduce severe hyper [ph] events and also improve their in-range glucose levels.

The next phase of our multiyear strategic plan is well underway, unfolding behind the scenes [ph] with a disciplined approach to winning new B2B contracts that represent tens of thousands of patients, seeking help to better manage their chronic condition. We will share more details about this progress as we move forward with this call. But before that, I would like to share key financial metrics as well as key milestones from our third quarter.

We are excited about the operational progress we made during this quarter. And in this quarter we see the first results of the transformation we did in Q2 changing the focus from direct-to-consumer to B2B with a significant improvement in the company financial profile. The first measure that I want to highlight is our gross profit. The gross profit in this quarter is 46.7%, which is 86% improvement over Q3 2018. This is an early proof that our business will produce high margin consistent with the SaaS business model.

We will keep emphasizing the digital health is a business that is like a SaaS business focused on consumers and now in this result we see the first evidence. And just to remind you, our goal is to exceed 70% in margins for this business. So, very happy with this initial result.

Number two, our operating loss in Q3 decreased by $1.25 million to $2.8 million. This is a sequential decline of 48% compared to Q2 2019 and a 31% decrease compared to Q3 2018. This is also in line with the communication that we made with investors during the transformation in Q2 where we focus that the losses are going to go down drastically and we're happy that we are delivering on this promise.

Number three, Q3 revenues are $1.87 million, which is a 13% sequential increase over Q2 2019.

With that, I would like also to emphasize a few of the key milestones that we had in Q3 that are on the operation and the commercial side. So number one is related to our product excellence. As you know, we are great believers in clinical data and we are doing multiple activities in order to strength our platform and to prove clinical evidence.

So in August, Dario presented a new data that was collected for more than six months and the data was submitted to the American Association of Diabetes Educators. We managed to show that Dario membership users with diabetes achieved 39% increase of in-range blood glucose measurement and a 45% of the study group reduced their average blood glucose level to under 140 milligrams per deciliter in line with the pre-diabetes level. This is amazing data built on the body of evidence created today suggesting the Dario best-in-class efficacy profile.

Another important milestone related to our product and our user experience, in September, Dario secured a US patent for optical transmission of data between sensor and smart devices. Dario DNA is about user experience

and we believe that the smartphone is the center of the universe of the users and we believe that this should be the future medical device and we're looking for a lot of ways to integrate with the smartphone and transform data in order to help our users get the best-in-class user experience. So this was a very important milestone in our ability to create foundation for future development as we are expanding into other chronic conditions.

Speaking about other chronic conditions, we also started to scale up our launch of the hypertension solution. We today know how to integrate to the same application, both blood glucose monitor and blood pressure, and we are selling one integrated solution for our users. More than 40% of our users that are under diabetes are suffering also from hypertension and we are very happy to provide them an integrated solution. So this one was started also to scale up in Q3.

On top of that, there is another important part of our platform. As you know, our platform is designed to be an open platform, which means that we know how to integrate multiple devices and we built the platform in a way that we can serve multiple personas under multiple journeys. With regards to this kind of capability of having a generic platform, we signed an agreement with Dance Biopharm that is developing a gentle mist smart inhaler for both insulin and GLP-1.

And Dance, after exploring multiple options in the market for adopting a digital platform that will manage the whole lifecycle of the users, Dance decided to choose Dario as the solution that will integrate with their device and I think that this is something that investors should see as the first evidence that our platform is not just serving our devices, but will serve in the future other devices, which is something that will highly contribute to our gross margins operating as a software company. So I'm very excited about this agreement and I expect that we're going to see a few more of those as we move forward, because the way that we designed the platform is extremely agile and flexible.

Now let me turn the attention of our commercial strategy, a key element to our success going forward and how it affects our financial profile. With strong data in our hand that was developed from the historical direct-to-consumer channel strategy, Dario began a significant move into B2B channel earlier this year, showing how our platform could help multiple players.

Speaking about the players, we are talking about, payers, we're talking about self-insured employers, retail, clinics and providers and also strategic partners. And I think that today we can say that we have a few initial successes, with each of these kind of type of players. With the self-insured employer we already have employer on top of the platform operating and we have an agreement with the strategic partner that have a huge access to the self-insured employer market plus agreements with brokers that are taking us there. So this is something that's specific to create a concrete [ph] traction.

With regards to payers, we extended our relationship through an agreement with Better Living Now, with the key insurer in the United States. So this one is also moving into implementation. Then we have the retail channel where we designed what we are calling a membership in a box, where we can sell through the retail channels. We are not into selling devices, we are into selling memberships and we designed a solution in order to be able to sell the whole membership through retailers and we already have few agreements, including Best Buy, Giant Eagle and few more in the pipeline.

Then we have the clinics under which we have more than 10 clinics that are already signed with and with specific changes in the market and Olivier is going to elaborate on that, a new reimbursement code, we are very positive that this one will start to generate significant revenue moving into 2020. With regard to strategic partnerships, on adopting the platform, we signed an agreement with Dance as I mentioned earlier.

Each one of the segments of our B2B channel addresses millions of patients and hundreds of thousands of type 2 diabetes patients. We have begun to see the efforts of the hard work in the form of higher revenue, higher gross margins and lower expenses relative to Q2 2019. We guided to this improved financial profile with lower cash burn and delivered on what we promised in the previous quarter.

Having said that, the higher revenues of the third quarter do not yet represent some of the large underlying B2B wins from our commercial strategy, which continues to sign new contracts on a weekly basis. Penetrating into this kind of contract wins will be our focus in Q4 and also into 2020.

I want to spend a few words also about the competition. So as you see, the overall involvement of the digital health and digital therapeutics market, including few significant IPOs, we see competitors that are spending hundreds of millions of dollars developing the market, yet we see the strength of our platform with the clinical data that we collected in the last few years and we think that our solution is a sellable [ph] one.

Looking on the overall advantage that we have, our solution was built in a very software oriented way, which means that we know how to work in a very cost effective way. Moving forward, we think that we can keep more than 70% margins on our unit economics because our platform is software driven and the hardware that is integrated with our platform is in the range of $25 as opposed to $100 or $150 in some of the cases that we see in the market. So all these kind of capabilities, software plus hardware, put our solution in a place where we can be very cost effective and very competitive.

On top of that, the way that we design the platform is an open platform, meaning that other devices can integrate to the platform and also other players can coach on top of our platform, allows us to scale up in a very cost-effective way and approach multiple channels when we scale up. So we have multiple signed contracts and many more in the pipeline. As a result, we've outsized opportunity for 2020, if we remain focused on execution to maximize penetration of this account [ph].

As we begin to look forward into 2020, we are excited about our initial success in the B2B channel and the revenue opportunities we will address with strong commercial execution.

Now with that, I would like to hand over the call to Olivier Jarry to expand about the transformation from D2C to B2B. Olivier?

**Olivier Jarry - President and CCO**
Thank you, Erez. Let's have a look again at our various channels. First, employers and payers. In Q3, we have signed commercial agreements with two business partners, one broker and one service provider. Working with such partners is a key part of our strategy, because they're selling health solutions to several hundred employers. These employers have a significant size, representing together several hundred thousand of employees.

And our team is talking to another two potential partners. Again, one broker and one service provider with comparable access to employers and employees and with an interest in promoting Dario to employers and to payers alongside their own services. In August, Dario was engaged by a new midsize employer that we sold to directly. We observed very positive results, such as a 42% enrollment rate of a population with diabetes within a couple of weeks.

Leveraging our partners, we're excited to prepare to launch Dario with potentially two more larger sized employers, and possibly a few dozen smaller employers. Dario and its partner, Better Living Now, a major national distributor, has been approved by a very large payer to deliver diabetes solutions throughout their system. In meetings we had in August, we laid out plans to launch Dario throughout their operations nationwide, and we've started meetings with different segments of our business.

In this channel of employers and payers, we keep hearing that Dario's offering to employers and payers is a very compelling proposition compared with our large competitors. The numerous criteria that we hear about and that are motivating recommends are clinical outcomes, that are very important to them; user satisfaction, the ease of implementation and flexibility; as well as the fact that it's an open platform to our devices and our coaching services. All of that for what we believe to be a very competitive price.

Second, clinics. Clinics in North America continue to show a very interest in Dario during conferences and via direct access to us. In these clinics where physicians are using our Dario Engage platform to recruit and monitor operations, we have seen steady growth. We also expect that clinics and physicians will be enthused by the ability to use the CPT codes created in the US to support the use of digital therapies.

A quick note about this topic of reimbursement. Reimbursement codes in the US are quickly evolving to allow practitioners and often their staff to receive reimbursements for their services when using digital therapeutics tools, but also when supporting patients, learning these tools and using them and when these professionals are delivering healthcare device remotely. These opportunities for reimbursement add to the motivation of clinics for using digital tools such as Dario and DarioEngage, our platform for professional coaches in the clinics channel, and you know this channel is very important for Dario.

Thirds, on the strategic sides. In Q3, we have delivered the first phase of our alliance with Dance, that we mentioned before, now renamed Aerami. And we are preparing now to work on the next phase of work together with them. And we are keeping [ph] discussions with hospitals, pharmaceutical companies, nutrition and medical-devices companies.

As a reminder in this channel, we understand that these business partners are seeing multiple advantages in Dario. Tightening the connection between their brand and their users, while providing essential information to these users, and this is quite impossible for them so far for these companies because they are used to focus their attention to distributors, pharmacies, physicians, hospitals. They are not so much connected to the users as Dario is and we provide these opportunity for them.

Second, increasing the brand loyalty and usage of our products, third, accessing the large install base of Dario in the US and abroad. And importantly, gathering anonymized patient insights that's in our marketing processes.

Last, let's speak about retailers. We've found important synergies between our direct-to-consumer business leveraging retailers such as Amazon.com, and the online sales websites of large classical retailers, and you mentioned Best Buy. In all these online channels, we plan to launch in Q4 our new membership offering that we nick name membership in a box. In addition to Best Buy, we expect to launch our products in several of the top five retailers in the US. These retailers have told us that launching online is a natural steppingstone for them before planning to launch in their brick-and-mortar stores.

One last word to say. We are encouraged by the successes to the point that we now consider increasing our commercial B2B team in North America in order to multiply the number of opportunities that we are responding to, including through our business partners.

I would like to turn the call over to Zvi to discuss Dario's quarterly financial performance.

**Zvi Ben-David - Chief Financial Officer**
Thank you, Olivier. The following are some highlights on the third quarter of 2019. I would like to highlight this performance relative to both the previous year and on the consecutive quarter basis, given the evolving

commercial strategy allows for one to understand how our financial will be impacted in a positive way going forward.

Revenue in the three months ended September 30, 2019 was $1.7 million, a 13% sequential increase over the same months ended June 30, 2019 and similar to the $1.88 million in the same months ended September 30, 2018. Gross profit of $873,000 representing 46.7% of revenue was recorded for the three months ended September 30, 2019, an increase of 86% or $405,000 compared to gross profit of $468,000 for the three months ended September 30, 2018. We believe that the financial benefit of our software agreement platform will be realized here as our business scale next year.

Operating loss for the three months ended September 30, 2019 decreased by $1.25 million to $2.8 million as compared to $4.5 million operating loss for the three months ended September 30, 2018 and by $2.6 million relative to the previous quarter. Net loss attributable to holders of common stock decreased [ph] by $1.26 million to $2.8 million for the three months ended September 30, 2019 compared to $4.1 million for the three months ended September 30, 2018 and by $2.7 million compared to the previous quarter. This substantial decline in operating and net loss relative to the previous quarter are representative of the commercial strategy focused on the B2B channel going forward.

Our new B2B focus has allowed us to be more efficient with our use of cash, extending our runway of existing balance sheet resources. As of September 30, 2019 cash and cash equivalent totaled approximately $4.6 million.

And with that, I will turn the call back to Erez now for some concluding remarks.

**Erez Raphael - Chief Executive Officer**
Thank you, Zvi. So to summarize, I think that when we look on the overall picture, we can say that we have an excellent product, and this product was proved by tens of thousands of users from the D2C and also initially with B2B agreements. We keep submitting multiple clinical publications and we're showing that this platform improve clinical outcomes and it can help employers save a lot of money. This is something that is shown with little evidence data. So that's number one.

Number two, the business profile that we were talking about in the last few quarters about a SaaS business that is high margin, I think that in this quarter we managed to show that this is reality. It is not yet at the 70s, but we are getting really closer to 50% and we think that more forward into the B2B channel this parameter will improve and the business it should be very profitable, that’s number two.

Number three is the timing. We see today that the market is in a very good timing also because of other companies that are investing hundreds of millions of dollars into this space. And when we are out there showing that we are more cost effective solution, better user experience, better clinical outcomes, it put us in a position that we can partner with others and help them make the transformation into digital therapeutics. So this is something that we also showing some traction by having this agreements. And in fact, we put a lot of seeds [ph] for significant growth that we expect it will have in the next couple of years. So this is number four.

With all this together, I can say that we are very positive about the progress that we made and we are looking forward for the end of this year and also the ramp up that we’re planning for 2020 with all the assets that we have built, so we feel that timing and everything now, we are in a good timing in the market space with a very good solution.

So with that, I would like to hand it to over for the operator to open this call for questions.

**Operator**

Thank you, sir. [Operator instructions]. And we will take our first question from Alex Nowak with Craig-Hallum.

**Q:** Erez, you signed up a number of B2B programs this quarter, in Q2 too. So maybe simplify and to benchmark this B2B channel as a whole, in the clinics, employers and the payer channels, how many type 2 diabetes do you currently have access to now across all these programs? And how many of these patients have already adopted Dario to date?

**Erez Raphael - Chief Executive Officer**
Yes. So through this network, we have an access to tens of thousands of users. Signing an agreement is one thing and getting users to adopt is a second part. Looking on the overall picture, we have access to tens of thousands, I think in the ranges of 100,000 to 200,000 users that should have access to the platform. And at this point, when we are looking on the overall picture, I can say that around 20% of the revenue that we are generating is coming from the B2B channel. This is a high-level number.

**Q:** Okay. That's helpful. And Oliver [ph], you mentioned explaining this B2B sales team. How many people did you have in this team originally and how is it going to increase into that last question and last answer. Is this B2B sales team going to a mix of not only getting more of this clinics and these payers have signed up to your platform, but also getting ultimately the patients to sign up to Dario?

**Erez Raphael - Chief Executive Officer**
Yes, absolutely.

**Olivier Jarry - President and CCO**
Absolutely. And it's just working on both sides. So the team is actually three part. We've one part, which is really a lead generation. One part that is selling or presale and one part that is execution and getting the patients on the platform as you say, that we call client success. And we plan to reinforce every one of these three parts. As you know, we work through partners, so we actually use a number of resources at the partners as well. So I mentioned these two partners we signed in Q3 to over that hopefully we sign in Q4, they've actually much larger resources than we have and this indicates a team turn to work with Dario. So we are actually multiplying through this partners same thing for lead generation, we use the service that has a number of people finding these leads and qualifying these leads for us. So in total, its dozens of people working for Dario, even if our central team or core team is tight and working with these partners.

**Q:** Okay. Understood. And then of the partnerships that you signed up with, how many are—well, first of all, are they kind of using any of your competitors? If so, how do they bifurcate the patients between Dario and a competing service?

**Olivier Jarry - President and CCO**
That's a very interesting question. And they see the landscape little bit like we see, but sometimes a bit different as well. Some of them are quite device-oriented, typically the distributors or the physical products or clinical products are more device-oriented and obviously they don't sell only one device. But when they sell Dario, they sell more than a device. And they realize that they have more success selling the solution than the device. So, yes, we do sell all the devices, but this starts to get a level of success that makes them think, maybe I should allocate a larger part of my entire sales with Dario, because we see this very interesting to my own clients.

With the service providers, they have already a view of delivering outcomes to where employers and their payers. And, yes, we're using typically for that—have started to use or we have agreements with another two or three companies, because we are not the only player in town. And we are choosing names, but they announced actually months ago that they signed with Company A, Company B, Company C and now they're working with

Dario. And they actually find that it's easier to work with us, especially because our platform is flexible. And we can adapt more easily to the needs of the employers. And as we said, the prices are very competitive.

So when the employers give a different solution, they say why would you propose us something which is more expensive and less flexible, we prefer Dario because it's less expensive and more flexible, and still with very good margin as Erez said, for us and for our partners.

**Q:** Okay. Understood. That's helpful. Thank you. The revenue growth this quarter up sequentially, but it was flat year-on-year and that's due to obviously the decision to slow the D2C investments. How should we think about revenue growth here in Q4 and in the 2020 with obviously the more B2B programs coming online, but you obviously have the D2C likely still slowing somewhat in the background.

**Erez Raphael - Chief Executive Officer**
Yes. So the D2C is not something that we killed. We believe that eventually if you want to have the best product, we need to make sure that it will get into the hands of the users and the whole healthcare is going through commercialization. So the D2C capabilities is very strong capabilities. The fact that we're selling to an employer and eventually hitting 42% enrollment rate, this is because we know how to talk with users and we are going to keep these capabilities and strength them moving forward. So D2C is going to stay. The thing is how we are going to balance the investment between the B2B and the D2C, and reduce the cost per acquisition.

So practically what we showed in this quarter is that we know how to operate with lower expenses cost. We know how to get users with a lower cost per acquisition comparing to the D2C, and we are going to balance it the right way as we move forward to Q4 and also to 2020. The reality now is that we planted enough seeds into the B2B channel plus signed contracts in a way that we have more options to get back to a more significant growth as we are looking into 2020, but doing it in a very cost-effective way. We have seen other competitors that are selling hundred millions in sales, but still losing money.

The way that we are looking in our business is because the unit [ph] economic is much more effective and because we are in a situation that we have an open platform and having partners, we think that the cost per acquisition should be lower and we think that our business should get to profitability in lower-levels. So now we have the foundation to get back to a more significant growth as we are looking into 2020 with a much lower cost per acquisition, still combining together and D2C and B2B as one operation.

**Q:** Okay. Understood. Got it. And then just last question for me, I understand the operating expenses came in lower. The gross margin was much improved sequentially, but still you have roughly about $5 million in cash today with the current burn in Q3, assuming that continues forward, you're looking at needing to require additional capital here over the next two quarters. Walk us through the plans here. Does common stock make the most sense? Do you have either options available at this point?

**Erez Raphael - Chief Executive Officer**
Yes. So we ended this quarter with $4.6 million in the bank, and we continue to operate on our financial plan, lower the cash burn quarter-over-quarter. We are confident that our ability to raise capital through our existing investors plus other investors that are very excited about the business. So we are confident we can do that. And it might be a combination of equity and non-equity. I think that today we have much more options, and we are very positive that we'll be able to secure the right capital in order to continue the growth in a very effective way and to provide a lot of value to our shareholders.

**Operator**
[Operator instructions]. And we will go next to Ben Haynor with Alliance Global.

**Q:** I apologize if some of these have been answered. I dropped off for a second. But I heard you mentioned how you've engaged with a midsized employer, you think that you have a handful of small employers in the B2B channel right now as well as potential large employers. Can you kind of breakdown what you consider midsized, large, small, and kind of the buckets in terms of sizing there?

**Zvi Ben-David - Chief Financial Officer**
Yes. The large one would be those over 50,000 employees, midsize will be 10,000 to 50,000, and smaller would be less than 10,000. What we observe as well just to be noted is, even with the very large ones, or large ones, they often want to start with the division. So the next that we are looking at have in excess of 70,000 users. But then they start the division of 15,000 users which is a good way for us to get them to understand Dario and how to launch it on a larger scale later.

**Q:** Okay. That makes a lot of sense. And then just with the launch of the hypertension solution, has that helped your conversation on the B2B channel? I don't think you mentioned that as one of the criteria that has been appealing to the customers, but presumably would be given that there are a lot of patients out there with hypertension as well.

**Zvi Ben-David - Chief Financial Officer**
You're right. And so it was probably implied, but absolutely yes. It's a huge interest in all channels because everybody recognizes that, yes, there is a large majority, unfortunately, of people with diabetes who also have hypertension. But thank you for mentioning it. Yes, it is very important to us and new products that are coming up, as Erez mentioned, will be also very important to us.

**Q:** Okay, great. And then looking at the improvement in gross margin there, it doesn't sound like there's anything one-off in the quarter, it's just a function of you shifting your business more over to the B2B channel. Is that something that as revenue grows from here that we should expect that to improve, or could there be certain quarters where it bounces around a little bit? What's a good way to think about the improvement there?

**Erez Raphael - Chief Executive Officer**
Yes. So the idea about the improvement of the gross margin is selling membership as opposed to selling just devices. And as we move forward into the B2B channel plus making the direct to consumer channel more effective, we are more focusing on the membership programs which is a pure SaaS sales and this is where margins are going to improve. So the way that you should think about it in the future is that looking into one single quarter is not something that you should rely on moving forward, but overall, on average, at this point spending on something between 45% to 55% is where we can be in the next few quarters.

And as we move forward, we want to exceed the 70% and this is where we can be. And we're not talking about years, we're talking about few quarters as a goal to get to this number, because when we're looking on our unit economic and when we are selling a membership to an employer, we are in the ranges of about 70%. So as we inject more users from the B2B, we are going to see the gross margins gradually improving, because on the premium membership that we are selling, we have a much higher margin. So the more B2B users, the higher margin and this is how we are going to move forward.

**Q:** Okay. That's very helpful. And just kind of a for instance, so if let's say few quarters from now, 3, 4, 5, 6, whatever it is, you are at kind of a $5 million per quarter run rate. Does that get you to kind of that 70%-plus gross margin range?

**Erez Raphael - Chief Executive Officer**
In these numbers we believe so, yes. In these numbers we believe.

**Q:** Okay.

**Erez Raphael - Chief Executive Officer**
This should be the goal. We've some programs that we have unit economic that is close to 70% margin. In some cases, it can go to 75% or 78%. So it depends on the merge of the sales. But generally speaking, yes, that's the goal.

**Q:** Wow, that's great. And then lastly for me. Just on the Dance Biopharm inhaler, how quickly can you integrate there? And it does sound like this will be something that, if and when they do gain approval that will be in the final product. Just how quickly did those development efforts come together and the integration happen?

**Erez Raphael - Chief Executive Officer**
Yes, absolutely. So, this is a very important point and I think that this is something that partners and also obviously investors should understand. The way that we design the platform is very agile and generic. It means that in order to integrate another device, or in order to integrate whether it's a device for the monitoring side or the therapy side, it's a lot about configuration and not about writing a new code. Because a lot of the elements that were developed in our platform are done in a generic way. In our platform we have the persona and we have specific journeys. And when a company like Dance Biopharm is looking to create on top of this excellent device that they have, they are looking also to create a behavioral change, they need a software platform in order to do that.

So we believe that more and more connected devices that want to go into the behavioral change will have to integrate with the solution that knows how to manage the whole lifecycle of the user. So when they're going out and Dance Biopharm was shopping out there with few digital health companies, eventually they decided that they want to work with Dario, because in our solution, number one, we proved in numbers and real data evidence that we know how to engage with users. This is number one.

And number two, the way that the platform is being developed is that a lot of the work to integrate the inhaler can be done in a configurable way, which means that they don't need to make a huge investment in terms of customization of new code. It's just getting into our platform and we are utilizing our foundation in order to manage the lifecycle of the user that also has the inhaler. So all these two elements together makes our platform very appealing. And the way that we're looking it from our side in terms of how it can generate revenue for us, this is something that once Dance Biopharm getting into a clinical study or commercialization, this is where revenue is being generated. And we already started to generate some revenue from this agreement in Q3 and looking forward into 2020 in considering the fact the Dance will run studies and will utilize the platform, we are going to see more revenue and the revenue here is having relatively high margins, because we're licensing our platform.

So I hope it gives you a full picture on how we see our platform as a generic one.

**Q:** No. That's great. It's was a very helpful explanation of how it kind of fits together in the, kind of the configuration over going in and writing software, or even developing new hardware pieces, I think, you're right, it's very important. So I will leave at that. Thank you so much, gentlemen, for taking the questions.

**Erez Raphael - Chief Executive Officer**
Thank you, Ben.

**Operator**
And ladies and gentlemen, that's all the questions we do have in the queue today. I would like to turn the call back over to Mr. Raphael for any closing remarks.

**Erez Raphael - Chief Executive Officer**
Thank you. So I would like to thank everyone for joining this call today. And we are looking forward to continue the growth and execution and looking forward to be in touch with all of you moving forward. Thanks a lot. Have a good day.

**Operator**
Ladies and gentlemen, this does conclude today's teleconference. We appreciate your participation. You may disconnect at this time and have a great day.