DarioHealth Corp. (NASDAQ: DRIO) Prominently Positioned for Digital Therapeutics Consolidation

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Article Highlights

- **Transition to valued-based healthcare is driving consolidation in digital therapeutics.**
- **Dario's clinically verified ROI to payors is lowering costs for the national healthcare sector.**
- **What is $162 billion in annual savings worth to the healthcare industry?**

DarioHealth Corp. (NASDAQ: DRIO) is adding contracts with self-insured employers and national health plans as Amazon and CVS vie to lead value-based, patient-centric virtual healthcare.

Digital healthcare is resulting not only in better health outcomes, but also in lower costs for the national health-care sector. Dario's user-centric multi-chronic condition platform and suite of solutions deliver personalized and dynamic interventions driven by data analytics and one-on-one coaching for diabetes, hypertension, weight management, musculoskeletal pain, and behavioral health, providing a turn-key, one-vendor solution for payers.

As Dario continues to win RFPs with the company's full suite of chronic condition management solutions to help improve overall health, the company recently noted that a new "jumbo" global employer account represents increasing penetration of the Dario platform.

The global company's adoption comes after Dario demonstrated the advantages of its single, seamless experience to improve health and outcomes in a several-month pilot and exemplifies Dario's ability to penetrate some of the largest self-insured employers.

The pilot program verified previous clinical studies that resulted in a 1.4-point drop in A1c among diabetic members for a $60/month fee. Based on the industry's statistical savings of $140 per month per member on a 1 point drop in A1c, Dario could save the healthcare industry $1,632 for each of the 34 million diabetics in the US alone, or a total of $56 billion annually. Including the full suite of chronic conditions, clinical studies indicate a potential $162 billion in annual savings.

Race To Retail Centric Medical Services

As Dario continues to land employers, health plans, and health providers in addition to strategic partners such as Sanofi (NASDAQ: SNY), some of the largest companies race to establish a retail-centric medical services care model intended to compete with physician-owned practices and some medical facility business models.

Independent Kairos Policy Group noted Dario is likely to be considered a prized target in the race to first mover advantage in retail medical services.

"Digital medical services are expected to play a growing role in the virtual care offering and community access model. CVS Health appears more ready to capitalize though. One company in particular, Dario Health, appears a likely M&A or strategic partner for CVS Health in 2022 as the company continues to build out the virtual care offering. If true, this would give CVS Health a clear competitive advantage in the digital medical services market over Amazon".

Sanofi, a big-brother sponsor of Dario, recently included DarioHealth as a "success" in its digital innovation partnerships.

Dario's patient-centric platform is leading the consumerization of healthcare and dominating the digital therapeutics marketplace. The Company's success is generating significant interest from larger consolidators in patient-centric virtual healthcare, who realize that the use of technology on an increasing scale is the key to shifting to a value-based care model. Under a value-based care model, insurers and employers require providers to be more accountable for costs and patient outcomes. Access to real-time data is critical to make a Pay-for-Performance model work.

A sign of the consolidation occurring in value-based care model is the $8 billion acquisition of Signify Health by CVS Health, announced on September 5, 2022. Much like Dario Health, Signify gathers the kind of data that is appealing to major players in the healthcare market. Signify gathers a tremendous amount of data on the health status and needs of the Medicare Advantage population through home-health services. Dario gathers valuable information directly from consumers via its software platform. The Company uses billions of data points annually to customize the delivery of continuous and connected support. Dario has clinically proven durable behavioral change, which results in improved healthcare outcomes and a measurable ROI for payers.

In a recent article, venture capital firm Andreessen Horowitz, known for backing tech-entrepreneurs, noted that "Consumer health startups used to operate in relatively small parts of healthcare, but they now stand to improve the entire healthcare experience. Companies are starting to realize that by putting consumers first, you can earn brand loyalty and improve patient engagement, which improves outcomes and lowers costs."

"A number of trends–including insurance coverage of telemedicine, consumers footing more of healthcare costs, and a move toward value-based care where engaging consumers can lower costs–all make now the perfect time for consumer health companies to take off." The firm made the bold claim that a consumer health tech company will become the biggest company in the world.

By The Numbers

Dario is delivering on its objective to sign 100 enterprise contracts by year end, which, when fully implemented, should achieve an $80-$100 MM run rate in annual recurring revenues and exceed cash flow breakeven.

Dario's has a strong balance sheet with $68 million in cash and equivalents as of June 30, 2022, and an additional $25 million of availability on an existing credit facility. Plenty of resources to fully implement the large number of recent contracts.

Using traditional valuation metrics, the anticipated $60 million in ARR run rate in December 2023 compares to Dario's market capitalization of $115 million today. The less than 2x multiple of expected forward revenues compares favorably to other SaaS model companies' valuations of 6-10x implying a possible multifold increase in the shares.

This traditional valuation methodology does not reflect the demonstrable multi-billion dollar value proposition evident in the potential savings from diabetes, let alone MSK, behavioral health, and hypertension. The value will not be missed by the largest healthcare plans looking to reduce surging healthcare costs and vying for member engagement.

Q3 Financial Highlights

In November, Dario Health announced Q3 results citing:

1. Third quarter 2022 revenues of $6.6 million increased 17.3% driven by growth in B2B

2. Nine-month year to date revenue totaled $20.8 million, a 44% increase over the first nine months of 2021.

3. 85 signed B2B contracts to date with $61 million in total contract value

We note several other key takeaways:

1. Aetna named as the National Account contract

2. Strategic partner Sanofi validated Dario engagement outcomes
3. Every channel partner, Solera, Virgin Pulse, Vitality and Alliant, is bringing in customers
4. $60 MM ARR run rate from the existing 85 contracts when fully implemented
5. Aetna plans Dario platform rollout to members in early 2023

Conclusion

DarioHealth Corp. (NASDAQ: DRIO) is well positioned and capitalized, signing significant contracts with large clients. The digital therapeutics market is being forced to consolidate with pressure from consumers to deliver healthcare on a value-based system. With Dario's clinically verified ROI to payers lowering costs for the national healthcare sector, DRIO is clearly delivering in a high-demand market. Investors looking to capitalize on the digital health sector need to put DRIO on their radar.

For more information please visit: **https://www.rcafinancialpartners.com/innovators/dariohealth/**

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