

Dariohealth Q2 revenue drops 20% amid B2B shift, but data supports benefit in diabetes

By Meg Bryant, Staff Writer

Caesarea, Israel, and New York-based [Dariohealth Corp.](#) managed to boost six-month revenue by 2% to \$3.89, compared with the first half of 2018, despite a 20% year-over-year drop in revenue in the second quarter. The digital therapeutics company, which attributed the downturn to its ongoing shift from a direct-to-consumer (D2C) to more scalable and lucrative business-to-business (B2B) model. During the quarter, the company launched its FDA-cleared blood pressure monitor and hypertension management tool in the U.S., adding new functionality while raising potential per user revenue and enhancing patient care. It also published data demonstrating the benefits of its Dario platform in helping patients manage type 2 diabetes.

Dariohealth presented data at the American Diabetes Association's 2019 meeting from a two-year study of 38,838 active Dario type 2 diabetes users in 2017 and 2018. Use of the device resulted in a 19.3% decline in the average ratio of hypoglycemic events and an 11.3% jump in normal range readings. In addition, the study showed a 14% decrease in higher readings after just one month of usage – an improvement that continued through the time the user subscribed to the service.

Other data, also presented at ADA 2019, showed Dario users with type 2 diabetes reduced average blood glucose to around 140 milligrams per deciliter, roughly equivalent to prediabetes levels. Without personalized coaching, about 30 of Dario users achieved this goal, but the number increased to 45% when patients took advantage of additional support offered by the program.

Role of behavior modification

Speaking on a Tuesday second-quarter earnings call, Dariohealth CEO and Director Erez Raphael underscored the importance of behavior modification in diabetes management. “It is well known that a 1% or one-point drop in hemoglobin A1c (HbA1c) levels can decrease diabetes-related death by 21%, decrease microvascular complications by 37% and decrease neocortical infarctions by 14%,” he said. “Dario high-engagement digital health platform can help [patients] achieve these low HbA1c levels and the associated health benefits.”

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Erez Raphael
CEO and director, Dariohealth Corp.

More than 30 million Americans have diabetes, according to the Centers for Disease Control and Prevention. Of those, between 90% and 95% of those have the type 2 variety, which is often associated with being overweight. In addition, an estimated 84 million adults have prediabetes. Type 2 diabetes is typically asymptomatic in its early stages, so identifying patients with elevated blood sugar levels before they are diagnosed and reducing blood glucose is a critical first step in reducing incidence of the disease.

“If Dario is able to stop the decline from prediabetes to asymptomatic diabetes or symptomatic diabetes or reverse the progression of disease altogether, not only would we provide the patient a better health life, we would also reduce health care system costs,” Raphael said.

To expand Dario's impact and grow its use, Dariohealth is repositioning as a B2B platform first and D2C second. “As mentioned in our Q1 earnings call, we began an evolution of the product offering from a medical device to a software-driven model. We believe the software solution with an open platform is superior . . . as it allows patients to choose the device, the company to quickly deploy upgraded technology and create the opportunity for the company to have a higher effective margin profile over time,” Raphael said. “We believe the B2B channel will be the big part of Dario's future, complementing on our best-in-class direct-to-consumer strategy and driving results going forward.”

Expanded offerings

However, diabetes management is only the beginning. Raphael said the company is looking to take its scalable digital therapy platform into additional chronic disease areas. The first of

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these was the second-quarter launch of the Dario blood pressure monitoring system. The device syncs blood pressure data with the Dario mobile app, allowing users to track the blood pressure as they perform daily activities. “With 73% occurrence of hypertension among diabetes patients, this is a natural transition for Dario and is expected to drive users’ engagement and [average revenue per user],” he said.

The second quarter continued to see both strong user engagement and customer retention, Raphael said. During the period, the Dario platform was adopted by three major clinic systems and dozens of smaller clinics. In addition, four life

science companies are looking at it as a potential companion for their products.

Q2 revenue was \$1.65 million, down 20% from \$2.06 million in the second quarter of 2018. Raphael attributed the shortfall in part to the initiation of yearly subscriptions in the 2018 third quarter, which are only beginning to come due for renewal. Gross profit declined 38% to \$326,000, from \$522,000 the prior year, due to lower sales and a one-time expense write-off of an old cartridge production mold. The company’s operating loss for the quarter decreased by \$431,000 to \$5.36 million, vs. \$5.8 million a year ago. ♦