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Transcript of DarioHealth
Second Quarter 2018 Earnings Conference Call
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Participants
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Zvi Ben-David - Chief Financial Officer

Analysts
Steve Wardell – Chardan
Jeff Silver – Berson & Corrado
Kyle Krueger – Apollo Capital

Presentation

Operator
Greetings, and welcome to the DarioHealth Second Quarter 2018 Earnings Conference call. Hosting the call today are Erez Raphael, Chief Executive Officer and Zvi Ben-David, Chief Financial Officer.

Before I turn the call over to management, I'd like to remind everyone that this conference call may contain projections or other forward-looking statements regarding future events or the future performance of the company. DarioHealth does not assume any obligation to update the information. Actual events or results may differ materially from those projected as a result of changing market trends, reduced demand, and the competitive nature of DarioHealth's industry as well as other risks identified in the documents filed by the company to the Securities & Exchange Commission.

In addition, certain non-GAAP financial measures will 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 to investors understanding and assessment of the company's ongoing core operations and prospects for the future.

With that, I'd like to now introduce Erez Raphael, Chief Executive Officer of DarioHealth. Mr. Raphael.

Erez Raphael - Chief Executive Officer
Thank you. Good morning, everyone, and welcome to the second quarter highlights of DarioHealth Corporation. So when we started this journey building a technology that will help digital [indiscernible] in managing people with chronic and pre-chronic conditions we were believing that user-centric solutions as well as base solutions is something that will help develop the treatment in a very challenging environment. If we're looking today in the numbers in the United States, more than 100 million people are either diabetic or pre-diabetic, and we thought that the industry will be able to deal with this kind of epidemic by having an integrated solution that is highly digital that will help scale up this kind of treatment.

When we were looking on the reaction that we have from our customers, and when we are looking at the huge progress that we have made in our unique offering, today I'm convinced more than ever that we are moving in the right direction, scaling up treatment to people with chronic conditions. And when we are looking on the overall healthcare industry and the huge amount of money that is being invested into digital health, looking back 12 months there is more than $16.5 billion that is invested into digital health companies and I think that it poses that also the market understands that the way to move forward in the healthcare industry depends a lot on what is called today digital health. We are proud that we are giving investors the opportunity to be part of the digital health industry, also in the public market. There are not too many companies that are trading on that on the New York Stock Exchange that are purely digital health and we are one of them and we are proud to be there.

Now, I want to go and review some of the financial parameters that we had this quarter. Afterwards, I will go and give you, the investors, some understanding of what's going on behind the numbers because I think that this is important to understand how we can sustain the growth and even accelerate it in the future, and also keep our very unique offering and competitive advantage in the future. So I'll start with the numbers for Q2.

As you have seen from the press release, we are growing by another 17% comparing to Q1. Year-over-year growth, it's 70%. We also managed to show that we have control over our burn rate. The burn rate reduced by 27% in Q2 comparing to Q2 2017. And we are also very excited because when we see the overall growth moving forward into the rest of the year and we see the forecast that we gave investors at the beginning of the year that we're going to grow between 60% to 80%, we feel comfortable that we can make these numbers. This is something that makes us very positive also towards Q3 and Q4. Looking at the gross profit, we also are showing an increase of 45% over , it's related to the second quarter of last year.

So, overall we made improvement in several financial parameters. And further than that, when we are looking on what drives the numbers there are specific changes in the offerings that are moving us forward into sales that are more relying on services and not just device and disposables, and I'm going to elaborate later when I'm going to talk about the involvement of our offering.

So a few words about what's going on behind the numbers. So, first of all, I'd like to provide a few words about our platform. We call it Digital Health platform, but I want investors to understand what exactly we are building. This is kind of a background on what's going on behind our technology.

So when we are looking on the overall offering and technology, we are looking on four main pillars that are building our platform. The first pillar is the medical device itself, which is our ability to collect data and provide a good user experience to our users also from a device perspective. This is an important pillar because without this pillar we don't have the data and this is something that makes our users happy. More than 25% of our users are holding more than one device. So this pillar is very important.

The second pillar is application. And in fact the application is the challenge to the user. The application should be smart on one hand, it should be simple and it should allow a very fluid interaction between the different elements that we have in the platform.

The third pillar is the coaching. We believe that in order to provide a seamless experience to our users they need also to get not just digital support, but they should get also some kind of physical support on top of the platform. It might be a certified educator, it might be a [indiscernible], it might be over chat, it might be in a more visible way, but this is something that is integrating with the other pillars of the platform.

The last and I think one of the more important part of the overall platform is the cloud and the AI that we have that helps integrating all the pieces of the platform. It has all the access to the data and it also helps scale up the treatment in terms of automating the different parts of the platform. This part includes more than ten different components. It's related to [indiscernible], it's related to rule based extension, to analytics, to segmentation engine, to messages and content liability, to clinical coaching programs and also to IO integration levels. So, all these pieces are behind the four pillars that helps integrate the different pieces together.

So when we are looking at what we've done in Q2, we managed to launch another version of this platform, what we are calling the Engaged Platform. We got another clearance in Q1 and along Q2 we launched our Lightening version after the clearance of the FDA in Q1. So practically, only for mid-Q2 we have full access to the US market in terms of supporting all the devices and in Q2 alone we were shipping more than 13,000 products to the market. And in fact, Q3 is going to be only the first full quarter where we have unlimited access to the US market because of the third clearance of the FDA, which is something that was an important milestone along the way.

Another very important milestone is the evolvement of our offering. The four pillars together allow us selling an offering that is much more beyond the device and the disposables. Today we are selling a membership and the membership includes several elements. We'll use those so self-insured employers are paying for a combination of medical device, disposables, digital content premium features, and also coaching and support that is being provided on the platform. So looking on the traditional world, medical devices companies were selling devices and they were selling tools. In our case, we consider ourselves a digital health company and we are not selling devices and tools, we are selling a solution that the objective of the solution is to improve clinical outcomes and we are doing it in a way that is being pooled by data that we are capturing in our platform.

This point takes me to another achievement that we had in this quarter, which is a submission of multiple papers that we provided to the ADA, to the American Diabetes Association, when we were showing that our platform is not just scalable, it also improves clinical outcome and we were submitting data for more than 17,000 users that were on the platform for more than a year. Obviously we did it in an anonymous way, but in general we showed that our platform is very sticky; it has a very high engagement rate; the churn is very low; and over time by combining these four pillars together we managed to create a very scalable and very sticky and powerful platform where one of the strengths of this platform is that the four pillars together are synchronized in a way that users are feeling an integrated user experience. And when we are looking on our competitors, we see a lot of competitors that are either building application or building the cloud or building the medical devices. We don't see too many competitors that have one integrated solution between the service to the software to the device to the application and everything is being done in a very good user experience. So, Q2 provided us an intensive growth that also in delivering this kind of milestones that kept our portfolio very unique compared to other competitors.

I want to take you now to the next subject which is the growth; how are we going to continue to grow? Obviously, we have a very powerful platform, we have different companies, and by operating as a software company with different components to the platform, it allows us to provide different business models and different channels. Because at the end of the day, we believe that the future of healthcare is going to be digital. We also believe that we will not be able to do that alone. We believe in partnership and we believe in strong partners that already have their own footprint into the market, and together we will enable them to transform their businesses to be more digital. This is why we built the Dario Engage platform as an open platform where we can get [indiscernible] that are going coaching and delivering products and do it in a more digital way.

So when we are measuring our business, we are always looking into core parameters. We are looking to the number of users that we are collecting, we are looking to the lifetime value, we are looking on the clinical outcomes that are captured by the data that we have on the platform, and we are also looking on the total data points that we are collecting with our platform because we believe that the future of our business will make it more and more personalized the more we have data, and this is how it will also be reflected in the valuation of our business.

So when we are looking into Q2, we are very proud because we managed to collect more and more users that are members, which means that they are not just buying device and test strips, they are buying the full solution. And if we are looking today on the total amount of users that are paying for what we are calling PMPM – per member per month – we have more than 65% of our users under this program, which means that the lifetime value is higher, the margins are better, and our ability to help them to improve clinical outcomes is much better.

We are selling the membership either from B2C or from B2B, which means that we have more channels. And also, when we are looking into the different B2B channels, we have a few huge opportunities to drive more users in the platform in a more accelerated way.

So number one, we partnered with providers in the United States. We already have a few clinics in the States and shortly also in Australia where we are providing healthcare professionals [indiscernible] the ability to utilize our platform in order to coach their patients. Although we have the coaching capabilities, we believe that scaling up is about giving others the opportunity to digitalize their services by utilizing our platform. And here we have a few clinics we announced in the past, a clinic in Philadelphia. We signed a few more contracts with clinics in the United States and there is another very big agreement that we're going to sign shortly with another big player in North America where we're going to help a clinic with tens of thousands of users coach their own population over our platform.

Another type of agreement that we are working on is an agreement with those that are managed care providers, which means that they already have channel to self-insured employer or to other [indiscernible] in the United States. And we help them also provide a model of membership and PMPM to their clients. In fact, here we have a very big partner from the United States that we already have an agreement with and we are working together to sell our combined offering to self-insured employers in the United States. So this is something that will also contribute and accelerate our user growth in the United States.

The fact that we have different components helps us to develop a few different business models. I wanted to remind you, another business model that we have and we are already generating revenue from is utilizing our platform for clinical studies. Here we have a partner that is learning [indiscernible] study on top of our platform, which is something that keeps contributing to our revenue. On top of that we also are working very closely with pharmacy and with wholesales, especially in the United States, in order to help them leverage on the digitalization of our solution, which means that we are developing together models where we can drive traffic, physical traffic into the pharmacy because we have direct access to our users through the application.

The last model that we have, that we believe that will generate revenue only next year, this is the data monetization, which means that that's taking the data anonymously and by exploring the different elements that relay communication and food, this is something that can be very beneficial to a pharmaceutical company.

Now, I'm going to summarize by emphasizing the three main elements. Number one, we made huge progress in building the platform and making it more and more automated and make it more and more unique, integrating the four pillars. We invested into the four pillars, and as we are moving forward, more investment, more percentage of our R&D budget is going into AI and into the data, which is where we see the future of our company.

Number two, we have better access to the market because of the third FDA clearance that we got in Q1 and helped us launch another version of the product in mid Q2.

And the last one is the multiple components that we built which help us create multiple channels and multiple business models that can generate revenue to the company from different sources. So for each of the channels that I mentioned, we have at least one agreement that is already up and running, and will be reflecting in our financial results as we move forward to the second half of this year. So that's to summarize everything.

One more important subject is always how we can get more talent to be a part of our business. Because of the progress of the business and because of the good reaction from the market, we are getting more and more talent. In the United States our team is growing. We have people that are coming from digital health background; it's getting bigger. And we also announced in Q2 that we have a new chairman for the company. Rob, who is one of the partners at Sequoia and he has vast experience building businesses and selling them, so [indiscernible] who we are planning to keep [indiscernible] the way that we are managing this company. So believe that in the second half of this year we are going to see a few more key stakeholders that are going to join the company either through the board or through the management of the company, people that are coming from payers and other areas of the healthcare system in the United States, so stay tuned with regards to this one.

So with that, I would like to turn the call to Zvi Ben-David, our CFO, to give you more detail on the financial results. Zvi, please go ahead.

Zvi Ben-David - Chief Financial Officer
Thank you, Erez.

On the call this morning I will review DarioHealth's second quarter of 2018 financial results. Starting with revenues, revenue for the second quarter was $2.059 million, an increase of 70% compared to the second quarter of 2017 and a 17% sequential increase over the first quarter of 2018. This increase was primarily a result of continued growth of our sales in the United States as well as sales in Australia, Germany and product sales to distributors in the United Kingdom and Italy.

As part of our transition from a subscription offering to a membership offering we have recorded deferred revenue of $50,000 that will be recognized in the following quarter.

Gross profit reached $522,000 in the second quarter of 2018, a 45% increase compared to the second quarter of 2017. During the second quarter of 2018, we recorded in our cost of revenues a provision for $128,000 as a write-off of an old cartridge production mold, and an additional $71,000 as a one-time expense attributable to the new mold that started to manufacture this quarter of our cartridges.

Operating loss in the quarter increased by $1.6 million to $5.7 million compared to a loss of $4.1 million in the second quarter of 2017. This increase in operating loss was mainly due to an expense of $1.78 million recorded in the second quarter of 2018 following the grant of shares to employees and board members.

Net loss increased by $1.7 million to $5.8 million in the second quarter of 2018 compared to $4.1 million in the second quarter of 2017.

Now, to [audio disruption] results. Revenue for the six months ended June 30, 2018 was $3.8 million, a 72% increase from $2.2 million in the six months ended June 30, 2017.

Gross profit of $1.1 million was recorded for the first six months ended June 30, 2018, an increase of 130% or $608,000 compared to a gross profit of [indiscernible] for the six months ended June 30, 2017.

Operating loss for the six months ended June 30, 2018 increased by $279,000 to $8.6 million, compared to $8.3 million operating loss for the six months ended June 30, 2017.

Net loss was $8.76 million for the six months ended June 30, 2018 compared to a net loss of $9.5 million for the six months ended June 30, 2017. The decrease in the net loss for the six months ended June 30, 2018 compared to the six months ended June 30, 2017, was mainly due to the increase in our gross profit and the reduction in our financing expenses related to revaluation of warrants.

Before we open the call to questions, I would like to reiterate our initial outlook for 2018. For the full year we anticipate revenues to be between $8.3 million to $9.3 million, which will reflect on the mid-range of 70% year-over-year increase, the midpoint of our outlook range.

I will now turn the call back over to Erez for some concluding remarks.

Erez Raphael - Chief Executive Officer
Thank you, Zvi. So, as you can see, we made a lot of progress with the numbers. Obviously the topline and the burn rate we are improving these parameters. But more importantly is what's going on in the background of the company building, the portfolio of product, which is something that will enable us to keep the growth in the future in multiple channels and also multiple territories. One of the things that I didn't mention is that obviously our company is selling in six countries. We're not relying on one market and we have a few markets where we are operating in. A very important milestone was the third clearance of the FDA, so it was happening in Q1 and we did a launch in Q2. So practically, we have unlimited access to the US market at the moment and our four pillars are already developed. We are just improving them quarter-over-quarter so we can make our product more automated and more scalable, because this is the way people will manage their chronic conditions in the future and we believe that we're going to be one of the leading companies in digitalization of this space.

When we are looking at the overall digital health industry, we believe that we managed to create a portfolio that will make us one of the leading companies in this space. Billions of dollars going there. And we also see, looking at last year and also this year, we haven't seen too many IPO's in this space, but we believe that it will change in the future and we are very proud to give an opportunity to investors to be part of this promising industry of digital health, give them the ability to be part of this story.

Also in the public market, our multiple components that create multiple offerings with a multiple channels this is something that gives me a lot of belief that we will be able to get hundreds of thousands of users to operate on this platform. And eventually, proven by data, this will improve the clinical outcomes and this is going to be the way that healthcare systems will manage people with chronic conditions.

So I'd like to thank you for the interest and I would like to open the call for questions. Operator.

Operator
Thank you. We will now be conducting a question and answer session. [Operator instructions]. The first question is from Steve Wardell, Chardan. Please go ahead, sir.

Q: Thanks for the question. So I'm wondering, can you give us some more color on consumer internet demand that you're seeing for Dario? So what countries are you selling in on a consumer internet basis and how is that going?

Erez Raphael - Chief Executive Officer
Yes. So in fact, our main countries where we are selling at the moment is, number one, the United States. Then we have the UK, Australia, Germany, and Canada and then Italy. At the moment, we are still selling intensive numbers in a direct to consumer way, so this is something that we believe in the future can be one of the major revenue streams. So while we are starting to be more and more B2B [indiscernible] organization, we believe that the direct interaction with the user is extremely important. And it's not just important by giving him a product, it's also important by being able to sell him and to convince him to onboard to the platform. This is why we keep the investment into the B2C.

If we are looking Q1 to Q2, we had a growth also on the B2C sales, which is what I'm calling direct to consumer. We have multiple channels that we are using. We are using Facebook, Google, [indiscernible], we are using affiliations, which is something that helps us get a lot of feedback from users. And with the feedback and the data that we are collecting, this is the way that we are improving the platform and reinvesting into R&D. So from our perspective, the direct to consumer is an extremely important channel and this is the only way that we can get the true feedback from our users, this is the only way we can confirm with the end user and make sure that he is getting what he wants and is satisfied.

And I think that if investors will go into the application store in the United States or other countries and will look into the reviews that we are getting, you're going to see that our product is one of the leading products in the medical device or the lifestyle industry in terms of user feedback. And I think that this is testament to our intensive investment into the B2C channel, because we believe that the future of the healthcare is by interacting directly with users, not just when giving them a product, but also when pitching to them the potential product. It's creating engagement in the first stage even before they start to use the product and it makes a lot of sense after they were pitched to keep using the product. So that's our belief.

To your question, we are selling in all six regions in the last quarter through the direct to consumer channel.

Q: Thank you.

Operator
The next question is from Jeff Silver, Berson & Corrado. Please go ahead.

Q: Hi, Erez. Congratulations on the great topline growth. I have two questions and they're distinct. One is on the B2B business. As you look at the model there and when you think about entering into agreements contrast with businesses, are these going to be exclusive relationships between you and the business? And, will the employees of these business have to opt in or is it an opt out procedure for them?

Erez Raphael - Chief Executive Officer
To your first question, the answer is no, we are not going to provide exclusivity because we believe that eventually our platform can serve in a few different channels in a few different ways. So it's not under exclusivity.

So it's going to be an opt out. We believe that eventually once we are getting into an employer, the whole process from acquisition to the enrollment, everything is going to be something that based on our know-how we will know how to manage and this is how we will be able to convince users going on the platform. The fact that an employer decided to cover the specific costs for the user doesn't mean that the user is going to use the platform. So the acquisition capability as well as the enormous onboarding capability is something that we are utilizing at the start of the B2B relationship that we are having. So it's kind of B2B to C while these capabilities are implemented with the B2B partners.

So, the employer would say, yes, for a specific membership. Then the acquisition and enrollment is something that would be done by us and this is why we believe we have a very big differentiator compared to our competitors.

Q: I see. What I was referring to in terms of exclusivity, presumably the employer would see no reason to offer more than one solution or one such solution to their employees.

Erez Raphael - Chief Executive Officer
Yes. I think that it depends on the specific employer. At the end of the day, we are living in a world that is more and more connected, and employers would like to satisfy their users. So eventually we see the future in a way that users are signing in or signing up to a good product and eventually the best product is going to win. And if employees would put the pressure on the employers, eventually they will adopt additional product. So I see a process where more than one product will be introduced to employees and they will have to choose between the different product. I don't see employers forcing one product on the employee. It doesn't make sense.

Q: I see. Now switching it around a little bit. In terms of data accumulation and data analysis, and then being able to deliver useful analytics to users, how can we think about – I mean, if this is going to be an ongoing process not only of collection but in terms of what the data reveals, how you package the data, how you deliver the data back to users, we're very much in the early stages of this globally in terms of how this gets done. How can we assess or understand where you are in the evolution of this process in this business? Are there metrics that you can offer? Are there specific data points at this point in time that you're collecting? How does this get managed?

Erez Raphael - Chief Executive Officer
So the way that I would propose investors to look into the data that we are collecting, into the subject generally, is in two ways. One is the data that we are collecting and how it can help you, the user itself. So far the data is collected for the sake of the user and this is the most important end game. The more we have data, the more we understand the user, and the more we can segment him to a specific bucket. And based on the specific segmentation, we know how to offer a more targeted and more unique treatment that depends on his own data.

So practically, one solution does not fit them all. And if we have more data and we can segment the user to a more and more defined segmentation, then the overall ability to provide the personalized treatment is getting better and better. So the more we have a personalized solution, the more users are staying on the platform, and the more they're improving their clinical outcomes. So papers that we will submit to the ADA is part of this overall progress of the platform, of the technology and the data that we are collecting, and this is something that will reflect in the overall financial numbers and margins, etc. So that's one. This is highly related to the user itself and to the membership that we are selling and overall improvement in all parameters.

The other element related to the ability to package data in the way that it can serve other players, and here we're talking mainly about pharma companies. We were looking into other players that were selling data, and just I want to remind investors that one of the guys that are sitting on our board is Alan Kramer who came from Humitica and Humitica was specializing in anonymous data, medical data and selling it to pharmaceuticals. We believe that we'll need a more significant amount of users before we'll be able to start to monetize on that, but as we move forward we see somewhere between 70,000 to 200,000 users active on the platform is the point where we will be able to start to really monetize on that.

On the way there, we need to make sure that every day we are collecting more and more data points. At this point the company made a decision not to expose the total number of data points which we are collecting, although the company internally has its own KPI's to analyze the data and to collect more and more data points. So I think that as we move forward and we are gaining more and more users, the company will expose some of the numbers related to data collection and the structure that we are collecting the data, and it will give investors the understanding whether and when this data can be monetized.

I can't see us monetizing on the data in the next two quarters. This is something that will take more time, but this is a very concrete strategy that we have and we believe we're going to get there.

Q: Thanks. That's helpful. Are there other databases out there like this in the diabetes world that you can use or that you can avail yourselves of or is this really all unique data that's being collected?

Erez Raphael - Chief Executive Officer
There are others that are trying to collect data. I think that what makes Dario unique here and there is another player that has this kind of unique capability is that we are capturing 100% of the data in real time. The nature of our device is coupled directly into the smartphone, which means that we are not just collecting every blood glucose measure, we are also collecting the context of the blood glucose measure, which means we know exactly what is the GPS location of the person, if he was reporting food we know the data sent on the food in conjunction

with the blood sugar level. So it's not just about collecting millions of blood glucose levels, it's about the context of the blood glucose level that is going in conjunction with medication, food and other elements that are collected by the phone operation system.

So if we are looking not just on the blood glucose but also the context of the blood glucose, I think that there are a few of these players that are doing what we are doing. And also because of the stickiness of our product and because our ability to have a very engaging product, I believe that in terms of data collection we are one of the best in the market. That's my honest judgment.

Q: One more question, if I may. I understand the value of the ecosystem and the approach to the market, but I would just like to inquire about technology advancements because there are so many entities that are working on this problem, as you indicated before, from one perspective or another. Have you seen anything in the noninvasive capture space that is interesting to you or potentially poses a threat? And sort of the use of light to take the readings? I know that you're constantly vigilant with respect to what's going on out there in terms of the technology, but have you seen anything that –

Erez Raphael - Chief Executive Officer
The noninvasive subject, so looking on the overall platform that we have and the four pillars from the monitoring to the application, to the coaching and also to the cloud and segmentation and to finalization that is data driven, we believe that eventually the four pieces together are going to provide some kind of an answer to the scalability of the overall disease. So practically, if you are looking at our business five years from now, it's about doing the best personalized treatment, the best segmentation, data driven of [indiscernible] and the fact that we have the monitor helps us collect a lot of data and due to our segmentation and doing better than anyone.

Obviously we're in touch with a lot of companies that claim to have a noninvasive and different technology. Nothing has been changed since like three months ago, six months ago with regards to a breakthrough in this kind of area. It would help to put my next dollar into the R&D, it's not going to go into the noninvasive. I don't believe that this is where we will be able to provide the best return for our investors. I do believe that data and segmentation will help us provide a better value. And I do believe that eventually, especially when we're talking about Type II, one solution does not fit them all. There are different types of Type II and eventually I don't believe that everyone needs to prick his finger three times a day or once a day; it depends on the specific profile of the user. And I think we can offer our users in the future some kind of semi-noninvasive by the fact that we will segment them into the specific situation and we will be able to tell them that this is the time where you need to check more because you want to check how specific for the impact to your body. So eventually I haven't seen some direct in the noninvasive and I do believe that our segmentation will be able to provide some kind of solution to our users that will not have to prick their finger a million times a day.

By the way, the glucose monitoring industry for the last 30 or 40 years educated people to prick their finger as many times as possible every day because they were making money from strips. I think this is something that, by the way, our data prove it, it's not always about pricking the finger. There are a million other parameters that will impact the chronic condition of the patient and pricking the finger is one of them, but it's not the only one. I believe that by improving our software technology we will be able to propose to our users a more noninvasive approach that is driven by [indiscernible] data. That's my belief of the future.

The traditional market is a lot about monitor and everyone is looking into let's find the next sensor that is noninvasive. This might be important for Type I to have the next patch or whatever, but for the mass population, the 25 million people that are diabetic in the US market, this is not something that's going to solve the problem.

Q: Thank you, Erez. Good luck.

Erez Raphael - Chief Executive Officer
Thank you.

Operator
[Operator instructions]. The next question is from Kyle Krueger, Apollo Capital. Please go ahead.

Q: [audio skip] shareholders, so I have a couple of big picture questions for you. Have you guys disclosed at any point what level of revenues would be necessary in order to achieve cash break even? I realize there's a whole host of factors that go into that – money spent on customer acquisition, R&D, etc., but can you give us some approximation as to the timing and the level of revenues required to get to cash breakeven?

Erez Raphael - Chief Executive Officer
Thanks for the question. At this point this is something that we did not disclose to the public market. There are a lot of elements that related to that. I think that one of the things that you should look at this report and realize is that we do have control on our burn rate and it depends on a lot of parameters when is the breakeven point, but at this point we didn't disclose the exact point where we're going to be breakeven.

We did provide a focus to the market that we're going to grow in 2018 between 60% to 80%. And at this point, we prefer not to provide this kind of additional guidance to the market. We might reconsider it as we are moving into Q3 and Q4. Our business is relatively young; we are a fast-growing company, and we have a lot of opportunities out there and a lot of type of partnerships out there. And we feel that because of the multiple parameters, this is the kind of the cards that we want to keep close to us and we don't want to expose it yet for several reasons, some of them are competition and so on, so we feel that this is something that will be disclosed with the public in future quarters.

Obviously, the way that we are thinking about our business and also because of the low valuation of the business, we are giving a lot of thoughts about our burn rate. We understand that we are not a typical internet company that can burn money like hell, so this is something that we are considering very closely. This is why part of the reason that we decided our platform should be open and to get partners to help us sell the platform is in order to protect our burn rate and we understand that this is something that concerns investors and we are giving it a lot of thought.

I just want to remind you that we, as the management, are also investors into the business. We are investing every month and every quarter, so the burn rate is something that is also important to us. We will feel more comfortable to share with the public in the next two quarters, but not today.

Q: Thank you for that. One follow up, big picture question from me. Congratulations on the reduction in burn in the most recent quarter in conjunction with 70% revenue growth. That's pretty fantastic, particularly as it relates to being good stewards of your previous cash resource. But the question is, it looks like you have approximately two to three quarters of cash left on the balance sheet. At the current burn rate, how do you finance the company beyond the next two to three quarters? What's the plan for that?

Erez Raphael - Chief Executive Officer
At this point I cannot comment about a specific plan with regards to raising or not raising money. One of the things that I can tell you is that, number one, the digital health industry is a growing industry and we see a lot of private companies that are raising money in a multiple of 20% or 50%. We are trading somewhere around I think 2.5% or 3% on ourselves, so you can judge yourself whether this is the right valuation for the company. That's number one.

Number two, I think that as we move forward – and this is something that we have shown in the last year – is that more and more institutions are interested in our business. So we have a few institutions that invested in the last two rounds into the business and when we are thinking about our situation, we want to make sure that we have more fundamental institutions believing in our business because we believe that that's the way that we can build the value in the public market. So as someone that is seeing investors very frequently because we are pitching the story and we are trying to get more and more believers in our business, the last 6 or 12 months, given the performance of the company and given what's going on out there, we feel more and more positive feedback from fundamental investors that are saying we believe in your path, we believe that you are going to change or disruption the market, so we want to be part of this story. So there are more and more that want to be part of this story and I believe that eventually we know how to make the right decision when cash will be needed in order to fund the company.

At the same time, I want to tell you that when we are thinking about our business, we are trying to find the quickest path to take the business to profitability. So, as an investor, on one hand you might say, oh, these guys are going to raise more money tomorrow morning. On the other hand, I advise that you will also think about who's the profile of the investor that in the future might invest into our business. And I think that the experience that our chairman [indiscernible] that is one of the partners in Sequoia and also myself in the last five years and also Zvi Ben-David will know how to navigate the business. And if needed, to raise money, we will do it the right way from the right investors. So that's our experience and I believe we're going to do it the right way.

I think from a valuation perspective we are kind of in the money times because we feel that we are in a situation that given what is going on in the private market things need to be changed. And we believe we are in the right path to do that, especially because of the fundamentals of the business. So the good fundamentals gets more interest from good investors that will be able to change the destiny of this company and we are heading to the right place, I'm sure.

Q: Thank you very much for that.

<u>Operator</u>
There are no further questions at this time. I'd like to turn the floor back over to Mr. Raphael for closing remarks.

<u>Erez Raphael - Chief Executive Officer</u>
Okay, so thanks, everyone, for the interest in our business. I appreciate your time this morning and talk to you in the next quarter. Thank you all. Bye.