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Transcript of DarioHealth Corporation
First Quarter 2020 Earnings Call and Webcast
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Participants
David Holmes - LifeSci Advisors
Erez Raphael – President and Chief Executive Officer
Zvi Ben-David - Chief Financial Officer
Rick Anderson - General Manager of North America

Analysts
Alex Nowak - Craig-Hallum Capital
Ben Haynor - Alliance Global Partners

Presentation

Operator
Good morning, ladies and gentlemen, and welcome to DarioHealth's First Quarter 2020 Financial Results Conference Call. As a reminder, today's conference call is being recorded.

At this time, I would now like to turn the conference over to David Holmes of LifeSci Advisors. You may begin.

David Holmes - LifeSci Advisors
Thank you, operator. Good morning, everyone. Thank you for joining us today for a discussion of DarioHealth's first quarter 2020 financial results. Leading the call today will be Erez Raphael, President and Chief Executive Officer of DarioHealth. He will be joined by Zvi Ben-David, Chief Financial Officer and Rick Anderson, General Manager of North America for DarioHealth.

After the prepared remarks, we will open the call for Q&A. An audio recording and webcast replay for today's conference call will be available online in the investor section of the Company's website. For the benefit of those listening to the replay or archived webcast, this call is being held and recorded on May 12, 2020.

This morning, we issued a press release announcing our financial results for the first quarter 2020. A copy of the release can be found in the Investor Relations page of the Company's website. 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. 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 quarterly report on Form 10-Q for the quarter ended March 31, 2020 to be filed with the Securities and Exchange Commission. Additional information concerning factors that could cause results to differ materially from the forward-looking statements are described in greater detail in the Company's press release issued today and in the Company's filings with the SEC.

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 operations and prospects for the future. A reconciliation of these non-GAAP measures to the most recent comparable GAAP measures is included in today's press release.

And with that, I would like to introduce Erez Raphael, CEO of DarioHealth. Mr. Raphael?

Erez Raphael - Chief Executive Officer
Thank you, David. Good morning, everyone, and thanks for joining our call today. Also joining me today, Zvi Ben-David, our Chief Financial Officer, and Rick Anderson, the President and General Manager of North America.

There are four pillars that guided the Dario ongoing transformation, that we emphasized them in previous calls and I would like to reiterate them today, is this is the way that we are measuring the progress that is related to our multi-year strategic plan.

Pillar number one is the company ongoing transformation to a software as a service model that generates high margins recurring revenue for the company. Pillar number two is the evolution from direct-to-consumer into business-to-business-to-consumer which is something that is lower our cost for acquisition as well as creating scale and accelerating our goals. Pillar number three is the expansion of our offering from a single chronic condition that was originally diabetic into multi chronic condition, and everything is under product excellence where we are striving to create the best performing product in the market. The last pillar, the fourth pillar is the positioning of DarioHealth as the market leader in the digital therapeutic space that according to Business Insider is projected to be a $9 billion market by 2025.

I'd like to start with the first pillar. So, as you've heard in previous calls, we started the transformation on selling a standalone medical device into a full membership program that is integrating software, hardware and service already towards the end of 2018. The membership program includes the ability to help users not just have the medical device but also get digital intervention driven by our analytics NII that helps them improve outcomes. The overall objective was to increase user engagement, to improve the outcomes of the users, and for the company to improve the gross margins and also increase the average revenue that is generated per member per month.

We've already seen an indication that the success into software as a service model is improving and is reflected in the financial portfolio of the company, especially on the gross margin part. While the revenues for the first quarter of 2020 were $1.67 million, a slight decrease from the previous quarter, both gross margins and overall gross profit were significantly higher relative to the previous year. Gross profit increased from 24.9% in the first quarter of 2019 to 46.7% in the first quarter of 2020. This is reflecting an overall 87% improvement in our gross margins. The gross profit in the first quarter of 2020 was $779,000, an increase of $221,000 or 39.6% compared to a gross profit of $558,000 reported in Q1 2019. This trend of improving margins is expected to continue in the next few years, while the overall goal is to be above 70% margins as we move forward.

The total operating expenses for the first quarter of 2020 were $11.2 million compared to $5.9 million in the first quarter of 2019. The increase in the operating expenses is mainly due to the increase in one-time stock-based compensation to directors, employees and service providers. Operating expenses, excluding the equity-based compensation for the first quarter of 2020, were $4.6 million only compared to $5.7 million in the first quarter of 2019. This is a reduction of $1.1 million, an overall reduction of 19% comparing to Q1 2019. The reduction in the total operating expenses reflect the reduced spending in the direct-to-consumer and transforming budget into B2B2C, so some of the reduction was offset by this increased investment into building the B2B team in the US.

So overall, we already see evidence to the benefit of the transformation into software as a service model is impacting our financial profile, especially the gross margins and the reduction in the user acquisitions, both.

I would like to move from here to the second pillar, which is the transformation of the business from the direct-to-consumer only into a B2B2C channel. So, here despite the fact that B2B2C might have a long sales cycle, we see here a few significant benefit for this overall strategy. Number one is that through this kind of business-to-business-to-consumer, we have the ability to access the broader patient population, which is something that can accelerate the growth intensively. The cost per acquisition per user is reducing down, once we are approaching this strategy, and also we have the ability, by selling our premium membership product, to generate much higher revenue per member per month comparing to what we are doing today in the direct-to-consumer.

I'd like to deep dive into the unit economic of the few membership programs that we had, so you can understand the potential of the sales goals that we can generate in the next few quarters. So if we are looking on how the company was operating towards the end of 2018, we were selling a device and disposables where on average we were generating between $5 to $7 per member, per month. As we move forward into the membership program still under the direct-to-consumer, we are generating $25 on average per member per month on our standard membership program. Once we are evolving into the business-to-business-to-consumer and selling our membership program, the price point here is between $60 to $70 per member, per month, depending on the number of conditions that the specific user is getting on the platform.

If we simulate a new 10,000 users that will go on the platform under premium membership on the business-to-business-to-consumer channel, we are generating in revenue approximately $8 million for every 10,000 users on a yearly basis. This can be a significant improvement for our top line as we continue our transformation and executing on our B2B2C strategy.

I'd like to move from here and give a few updates on a few initiatives that we are doing on the B2B2C, and here the overall goal is to have access to broader pools of users. We also have the overall target to reduce the cost per acquisition. And as a reminder, this is not something that we started today, this is something that we started by mid last year, and today we can update that we made some progress here on the different channels under which we are operating. Just as a reminder, we are operating on the employers' channel, on the retailers' channel, on the healthcare providers' channel, as well as on the insurers' channel.

So since we started in mid-2019, we already signed a few significant agreements with partners, some of them already announced, I'm going to talk about one of them shortly. We also have a few contracts that are significant that are under negotiation and we feel that in some cases the COVID-19 is pushing them forward.

We also see a significant increase in our pipeline, so we think that already this year we can see the results of this transformation into B2B2C translating into a concrete increase in sales. So I want to talk about one of the agreements that we already signed and we announced on it earlier this year on March, and this is a significant example for the progress that we're making on the self-insured employer market. I'm talking about the agreement that we signed with Vitality Group. This is a partnership with a company that is selling wellness programs. Vitality is an entity under a big insurer called Discovery Health that has more than 16 million insurers, and through Vitality we have access to hundreds of employers in the States, where together we are marketing our overall offering on the disease management side.

So we have Vitality as a strategic partner that also has equity interest in our company, and we have them as a motivated organization to get us an immediate access to the network of employers that they have that otherwise we'll have to do it one-by-one. So this is an example for a deal that provides the concrete evidence of the strategy of transforming our go-to-market strategy from direct-to-consumer into B2B2C is a strategy that has already built some fruits for us and we are sure that we're going to see it in dollars later this year.

Other than that, I would like to talk also about the health plans channel, because we believe that this is one of the major channels for the company. We strongly believe that this is going to be our largest growth engine in the next five years, and we believe that the majority of the revenue for the company is going to come from this channel. And we are spending a lot of time and efforts making sure that our solution will be appealing for health plans, that we can help them with the most expensive patients and we can help them reduce the overall cost. We think that we have the right solution. We also proved, with more than 50,000 users and with more than 10 different clinical papers that we submitted to multiple entities, that users that are operating on our platform are improving outcomes in a way that we can show the concrete savings. And we know how to do that in a very, very cost effective way. So on one hand, we can show the significant evidence that we are improving outcomes with real data from real users, but at the same time we know how to do it in a very cost effective way, which is something that we believe that insurers need to have.

We also believe that the major success factor in making this overall move successful is having a best-in-class management team, a team that understands these channels very well and have the experience and the relationships to execute on this channel. Also, here we made huge progress on executing on our strategic objectives.

In January, we appointed Rick Anderson to be the President of the company, as well as the General Manager for North America. Rick brings a lot of experience. A lot of it comes from Catasys, where he spent more than 10 years cultivating this business, building a scaling business that generated tens of millions of dollars in recurring revenue for Catasys.

Most recently, we also announced that “Be” Stark joined the company as the SVP and Head of Managed Markets. “Be” also has extensive experience with the health plans market, our major channel. In addition, we also announced that Dr. Omar Manejwala joined our company as the Chief Medical Officer. Dr. Omar will lead our clinical delivery, as well as supporting our product offering as well as the sales team. Dr. Omar has spent the last decade building and working with health plans and payers who is specialized in delivering value-added clinical programs and he understands very well the intersection that is very important for us, which is the intersection between chronic conditions to behavioral health. So we are thrilled to have Rick, “Be” and Omar on our team.

So as we translate the progress in the two pillars that I just mentioned into specific economics, we expect that we're going to see continuous improvement in our margins, and we're also confident that we're going to see the results of signing all this agreement and the progress that we're making, we're going to see this result in a better top line as we move forward towards the second half of this year. And you're going to see also a positive impact on our P&L.

With that, I would like to hand over the call to Rick to explain more on the marketing initiatives, as well as on our evolving product offering. Rick?

Rick Anderson - General Manager of North America
Thank you, Erez. I am excited to report today on the continued progress we have made on our commercial front. However, before I go through each of the channels, or as we sometimes refer to “the markets,” I would like to review Dario’s competitive advantages that we believe will provide for meaningful penetration in several of our target markets.

In order to be a successful digital health company, you must have: one, strong clinical data; two, good technology that is quickly adaptable and configurable; three, an understanding how the healthcare system works and who the players are; and lastly, the ability to engage people in the solution. Arguably, many digital health companies do not achieve their goals because they lack one or more of these key ingredients. Dario has a strong clinical data across multiple studies and a large number of users. Dario is a software company at its core, with a best-in-class application built on a flexible open platform which allows us to pivot quickly to new opportunities. Dario has brought together a team that understands the healthcare market. And most importantly, Dario has strong consumer engagement, as demonstrated by its high user satisfaction scores, 4.9 out of 5 on the Apple App Store, a net promoter score of 77 and 50,000 plus active users on the platform. Nothing says consumer engagement like people paying out of their pocket for a solution each month.

Dario checks all the boxes, and our solution is very cost effective to deliver. This enables us to compete in markets others cannot and allows us to provide significantly better product at a significantly lower cost in the employer and health plan markets.

We are very pleased with the progress that we have made over the last quarter in spite of the fact that some of these channels have long sales cycles, and we are still in the first inning of the transition to the B2B model. I will expand on our four market segments and highlight how Dario has made significant headway in the first quarter to position ourselves for growth in the second half of the year, but first I want to briefly discuss the impact recent events have had on the digital therapeutic space.

On an overall basis, we have seen an impact of COVID-19 on our opportunity pipeline. In some cases, we have seen decisions and projects delayed, however, and others, including some employers and in the remote patient monitoring market, we have seen an acceleration of interest. On an overall basis, we have significantly grown our pipeline across all channels in the first quarter.

On a more macro level, the recent pandemic has highlighted several inadequacies and antiquated features of our current healthcare system, which has been slow to modernize with the rest of our now digital society. The challenges created by the pandemic are dramatically accelerating the adoption curve for digital health solutions, such as telehealth, remote patient monitoring, and digital therapeutics, as providers and patients look to provide care remotely and reduce risk for both the patient and the payer. We believe that the trend towards more acceptance and utilization of digital health will continue even when the pandemic mitigates, as people have experienced these advantages.

Now for the market segments. First on the retail front, we have continued to expand through the relationships we entered into in 2019 with Best Buy and Wal-Mart. We believe that we have built the foundation to see an increase in our business through these partners in 2020. In addition, we believe that we are close to entering a significant opportunity that would leverage our membership model in the retail space and provide significant growth during the rest of this year.

One of the most substantial changes that we have made this quarter was in how we are approaching providers, health systems and provider groups. We have pivoted away from trying to convince providers to distribute our solution or have their patients acquire Dario through a retail channel. Given the flexibility of our open platform, the efficient cost structure and high engagement, we evolved our product into the remote patient monitoring offering, whereby we can provide the infrastructure to allow providers to remotely monitor their patients between visits.

With the new remote patient monitoring codes that became available in January of this year for Medicare, this shift allowed us to offer providers improved clinical care, increasing their revenue from their existing patient population. As such, we began pursuing larger provider practices and provider consolidators, like chronic management companies, or CCMs, who already are providing services to a number of providers. We believe our solution is a natural fit for these existing businesses. Our RPM solution has become even more relevant during the pandemic, and we have seen increasing interest as a result. We are pleased to report that we have signed our first two RPM contracts, with others in negotiation.

One of the channels that we're most excited by, as Erez mentioned is the self-insured employers. We have significantly increased our activity and traction directly with employers and through benefit brokers in the first quarter. We are now in the traditional benefit sales window for self-insured employers. While many of those opportunities, which we are now in competition for, will be implemented in 2021, we are also working several that we believe will provide revenue in the second half of 2020, including one that we are in late stage discussions with.

In addition, as Erez previously mentioned, we recently entered into an agreement with the Vitality Group, which is a health and wellness platform that provides integrated and curated solutions for employers. We're beginning now to co-market the Dario Solution to the employers on their platform, and this represents a significant opportunity for us in the second half of 2020.

Health plans represents one of our largest and most complex opportunities. With the recent additions to the team, we now have a team of seasoned healthcare executives with a track record of success in this market. We have spent the first quarter working diligently to position Dario to be able to aggressively pursue health plans and are now launching those efforts. While the health plan market has long sales cycles, we are already seeing some interest and have moved to late stage discussions with a plan that has the potential to close as early as the second quarter. One thing I would like to highlight is that Dario's open platform, which allows for data sharing and integration with health plan care resources, is a significant advantage in this market segment. The ability to integrate into existing systems and workflows with minimal disruption is often a make or break proposition, especially in increasing complex healthcare environments. We anticipate that the health plans will grow into being one of our most significant channels in the medium and long-term.

Interestingly, beyond the four identified market segments that we usually speak of and in a testament to the power of our platform and applications, we have also recently seen interest from several parties on partnerships that would utilize our platform to integrate our solution. We believe that this creates the potential for high margin revenue opportunities, and we look forward to discussing these more with you in the future.

Our continued success in all of our market segments and a large value driver in the medium and long-term lies in the capability of our platform to engage and help members manage multiple chronic conditions. As Erez mentioned, our initial focus was diabetes as it was the biggest opportunity to make meaningful improvements in healthcare outcomes and cost. Since then, we have expanded our offering. At the end of last year, we added hypertension and integrated a blood pressure monitor. Recently, we have announced our expansions into telehealth and behavioral health coaching for stress, anxiety and loneliness.

The behavioral health coaching is especially relevant today, as we know that many of our members are suffering from stress and loneliness due to the risks and social distancing made necessary by COVID-19 and further aggravated by factors such as unemployment, financial stress, bereavement and fear surrounding the global crisis. Given the well-established link that exists between mental health and chronic disease outcomes, we believe that implementing these changes will lead to better, more comprehensive care for Dario members and improve our members' experience.

The implementation of full service telemedicine on our platform has been achieved through our recent partnership with MediOrbis. This partnership runs our SaaS based business model, and provides our members with access to physicians in a range of medical specialties, including primary and acute care, as well as chronic disease management. With these recent additions to our product, we now have the ability to offer an almost entirely remote solution to our members, which is a compelling value proposition in the current stay-at-home reality. Even as restrictions are eased, high risk populations such as those we serve will continue to need to exercise care. We anticipate that this integrated, complete remote solution will have a significant value in all of our markets.

I will now turn it over to Zvi to discuss our financial results.

Zvi Ben-David - Chief Financial Officer
Thank you, Rick. I will now provide a brief overview on our financials. Additional details on our results can be found in our Form 10-Q, which we have filed yesterday evening. Revenues for the first quarter ended March 31, 2020 were $1.67 million, a 7.3% sequential decrease from fourth quarter ended December 31, 2019 and a 25.6% decrease from the $2.24 million in the first quarter ended March 31, 2020.

Revenues generated during the first quarter ended March 31, 2020 were derived mainly from the sales of DarioHealth's components and from the offering of our membership plans to our customers in the US. Revenue declines are attributed to lower spending in the direct-to-consumer channel and shifting efforts to the larger B2B2C channels which we anticipate will drive growth later this year.

At the end of the first quarter ended March 31, 2020, we had accumulated deferred revenues of $1.27 million, the majority of which we expect to recognize during the remainder of this year. Revenues from membership services were $778,000, or 46.7% of revenues for the first quarter ended March 31, 2020, compared to $608,000, or 27.1% of revenues for the first quarter ended March 31, 2019. This increase in revenues from membership services contributed to the increase in our margins.

Gross profit in the first quarter ended March 31, 2020 was $779,000, an increase of $221,000, or 39.6%, compared to gross profit of $558,000 in the first quarter ended March 31, 2019. Our gross profit increased from 24.9% in the first quarter ended March 31, 2019 to 46.7% in the first quarter ended March 31, 2020. The increase is mainly due to the increase in revenues generated from our membership plans.

Total operating expenses for the first quarter ended March 31, 2020 were $10.9 million, an increase of $5 million, or 84%, compared with $5.9 million for the first quarter ended March 31, 2019. The increase in the operating expenses is mainly due to the increase in equity-based compensation to directors, employees and service providers to $6.3 million in the first quarter ended March 31, 2020 compared to only $243,000 in the first quarter ended March 31, 2019.

Non-GAAP operating expenses, which are excluding equity-based compensation, for the first quarter ended March 31, 2020 were only $5.6 million compared with non-GAAP operating expenses, excluding equity-based compensation of $5.7 million in the first quarter ended March 31, 2019. This is a reduction of $1.1 million. This reduction was mainly due to the reduction in our digital marketing activity in the direct-to-consumer channel.

Operating loss for the first quarter ended March 31, 2020 was $10.1 million, an increase of $4.7 million, or 89% compared to the $5.4 million operating loss in the first quarter ended March 31, 2019. This increase was mainly due to the increase in stock-based compensation partially offset by the increase in our gross margin.

Net loss attributable to holders of common stock was $11.1 million or $1.57 per share in the first quarter ended March 31, 2020 compared to a $5.4 million net loss or $2.92 per share in the first quarter ended March 31, 2019. We had cash and cash equivalents totaling $15.8 million at March 31, 2020.

Now back to you, Erez.

Erez Raphael - Chief Executive Officer
Thank you, Zvi. So in summary, it's a very exciting time for DarioHealth, as we keep executing on our multi-year strategic plan and believe that we're going to create substantial value for our shareholders.

Just a few points to summarize the earning calls as takeaways. Number one is the space, digital therapeutics, we see it growing. We believe that Dario has the right technology to disrupt the healthcare market as part of the digital therapeutic space. We anticipate, and business insiders anticipate that this market will grow into a $9 billion market by 2025, and we believe that we are well positioned to be one of the leaders in this market. We see that COVID-19 is something that in the medium and long-term will push the transformation into digital.

We also believe that we have the product excellence proved [ph], with more than 50,000 users on the platform. We have the clinical data that demonstrated the improved health outcomes. And as we evolve with the transformation we are doing, in terms of the business model into SaaS and improvement of margins, we believe that we're going to keep seeing improvement in our margins to exceed the 70%. We also believe that the transformation into B2B2C that is happening as we speak is going to help us scale our business, and we believe that we have the best-in-class management team that already did it and executed on similar models, and we believe that this is something that increase the chances that we're going to be successful.

From a capital raise standpoint, we did a raise in December so we are also very well-funded to continue the transformation.

With that, I would like to open the call for questions. Operator?

Operator
Thank you. The floor is now open for questions. [Operator instructions]. And our first question comes from Alex Nowak with Craig-Hallum. Please go ahead.

Q: Great. Good morning, everyone. Rick, you joined about four months ago, and in that time we've seen some nice B2B wins and also the addition of behavioral health. If you step back, what have you uncovered in the last four months? And with the Dario platform, what do you still believe needs to be modified with Dario and the platform [indiscernible] to position the business to succeed with B2B?

Rick Anderson - General Manager of North America
Thanks for that question. I think that from what I'm seeing, I was actually more pleased than I thought walking through the door in terms of the flexibility of the platform, and what that gives it the ability to do and some of the other partnership opportunities that have been created. I think that the pivoting into the remote patient monitoring, for example, was a good example of what we were able to do with the technology.

As Erez also mentioned, I think we need to continue to evolve the B2B product which is underway, and I think will be completed in time for some of the deals that we see coming in the short-term, and we need to just continue to do the marketing and get the name out there. Dario has only really started in the last few months, just a couple months before I got here, really, on that transformation, and it takes a little bit of time to get the name out into the marketplace and get people to see it. We're already starting to see some traction in that and I was very pleased this quarter to see the Dario name being involved in the RFPs and having some great success in that marketplace.

So I think it's really a matter of finalizing the products and getting the name out there, getting people to understand what Dario is capable of.

Q: Yes, that's great. And can you point to anything that worked well at Catasys and that you're trying to implement at Dario?

Rick Anderson - General Manager of North America
I think that the primary thing—well, I think there's a lot of things actually. They all really sort of boil down to understanding the health plan market. As I mentioned in my remarks, one of the things is that a company like Dario, or any company, it doesn't matter how big they are, is going to get a health plan to change to the way that they do things, or an employer for that matter, it's very, very hard to change the healthcare system, and so a lot of times you have to be flexible and fit within how the health plans function, how the employers function. And I think that the flexibility of the solution here is one of the things that really works well in that, and I found the same thing to be true in Catasys. By being flexible, we were able to accomplish things that others could not accomplish.

I think the other big thing is you really have to understand the way that the system works, who the players are, because it's a very complex, multi individual type of sale, and so being able to understand how they see those value propositions and position the product to deliver on those is important. One of the things that we have here that we didn't have there is actually having the competition in the marketplace really helps, and being not the pioneer, but the fast follower in a couple of the markets helps too because you can position yourself against the weaknesses that the other products have in the feedback that you're getting from the market.

Q: And to pivot to behavioral health, that fits with the Catasys background, but it is a complete pivot from Dario's diabetes platform. So why do you think the pivot towards behavioral health makes sense, and what sort of additional investments that Dario need to make to succeed in that market?

Rick Anderson - General Manager of North America
Let me be clear in terms of what we've done from a behavioral health perspective, and there's two pieces to it. One is that, we very well understand that behavioral health and chronic condition management are tied together, if you do not deal with the behavioral health portions, you're not going to be successful with chronic conditions where those exist. But rather than have behavioral health as a separate add on module, as some of the other companies in the space have, what we're doing is pushing behavioral health into all of the other modules. And so you won't be able to go through anything with DarioHealth without there being a background in behavioral health where we'll be looking for issues and potentially coaching and steering people to the right resources to address those.

But in the near-term what we've done is really add coaching, which was existing Dario coaching that has been repurposed, if you will, to provide coaching around stress, anxiety and loneliness, especially in the current environment. That's why we rolled it out quickly. You will always find those coexisting with chronic conditions, and so that's why we think that it's important. But we're not building a standalone behavioral health module with coaches and psychologists and things like that where we will use partners to address that as needed. But what we're really focused on is making this part of the overall product offering.

Q: Okay, that's helpful. And then I think one of the biggest questions among investors is, how many names and what sort of names has Dario partnered with or is in the pipeline? So Erez or Rick, as you're starting to win deals here with clinics, employers and payers, should we expect to see a press release with the names of these actual organizations, so that we can start to get an idea for the quantity and the quality of the names. Also, is there any way to come up with going forward a standardized lives under contract metric that you can share in each of these earnings calls going forward just so we can start to benchmark the performance?

Erez Raphael - Chief Executive Officer
Rick, can you please take it?

Rick Anderson - General Manager of North America
Sure. So, we will endeavor as we—I mean, we will announce what we do and we will endeavor to let everybody know who those partners are that we're working with. I am very familiar with the fact that lots of partners want to

control their name as it gets out there, but I think that we will be able to announce some very interesting deals for people. As it relates to the metric, absolutely, we're looking now at what are the right metrics so that everybody can understand or progress in the business as we move it forward and go from essentially six months ago a standing start to, as we move through the rest of the year, so everybody can assess the progress. Because that's the way that we look at it, and understanding how many people do we have on platform and where are those people coming from and what are the opportunities that are created by the additional deals that we're signing.

Q: Okay, got it. And you still do have a good amount of business today with direct-to-consumer. So what has been the dynamics within April or May around diabetes equipment purchases by consumers at Amazon, bestbuy.com, walmart.com?

Erez Raphael - Chief Executive Officer
Yes, so thanks for the question, Alex. So you are right, we still have the business and we have a very powerful business on the membership side. We have seen that in some cases users, because we are an out of pocket business and direct-to-consumer, we have seen that when the whole crisis started some users had challenges in terms of paying out of pocket. But on the other hand, we have seen a growing demand and reduction in the cost of acquisition because the importance of such a solution for those that are under high risk for COVID-19, like people with diabetes or hypertension. So overall, it was something that was offsetting.

With regards to the marketplaces, we felt that Amazon is getting stronger on behalf of others, so Amazon, we believe had their own challenges. One of the things that they did is prioritizing suppliers like DarioHealth that are dealing with health products, and this is why we got priority by Amazon. And this is also something that helped our members. So overall, we cannot say that it was pushing the business forward, but it was not reducing it as well, so we are more or less table here.

Q: Okay, got it. And then just two quick, clean up questions. A huge jump in stock-based compensation expense in the G&A line, anything that happened in the quarter to lead to the huge jump?

Erez Raphael - Chief Executive Officer
Yes, I think that that was one of the things that we did is like expanding the team and our advisory team and those that are helping the company taking to the next stage, we brought a very powerful team. And this is something that we are doing, not provisionally, we are doing it every few years in order to make sure that the team, Board of Directors and the service providers are all incentivized to take the company to the next stage. So that's something that, it's a one-time.

Q: Okay. And how long do you expect the current cash balance to last through?

Erez Raphael - Chief Executive Officer
We updated our financial reports and we reported that September 2021 is well—the cash should be sufficient for. So we raised significant amounts of money in December, with a very good group of investors, very supportive investors. More than a third of the deal was done by investors that already support the company, so we believe that we are building a community of believers that will help us take the company to the next stage also from a valuation standpoint.

Q: Okay, excellent. Thank you.

Erez Raphael - Chief Executive Officer
Thanks, Alex.

Operator
And our next question comes from Ben Haynor with Alliance Global Partners. Please go ahead.

Q: Good morning, gentlemen. Thanks for taking the questions. First off for me, when employers are going through Vitality and building these benefits plans, I know that Vitality has an interest in the company itself, but how many other options are they presenting or are on the menu that could be considered digital health or potentially competitive to Dario on some level?

Rick Anderson - General Manager of North America
They certainly have a couple on there that could be considered competitive. And actually, I think one of the things we really welcome is that opportunity to be set up side-by-side for those opportunities. I actually consider that a win, if somebody will take a look at us side-by-side, so we view that as an advantage.

Q: In the sense of the strength of your offering, but also that there are multiple offerings out there, so maybe employers believe that well, I should choose one of these.

Rick Anderson - General Manager of North America
Yes, I think there's a couple of things that are going on in the marketplace. I mean, clearly, we see an expansion in the diabetes and hypertension, chronic condition management with these kinds of platforms, and I think that speaks to the overall need that the market has seen. And I think that you're seeing a growth and acceptance that this isn't something should we do it or not do it, but which solution should we use to do it. And I think that that works to our advantage. As I mentioned earlier, the fact that we're not necessarily the pioneer, somebody else has opened this market, which is, I mean, I've done it, it's really hard to do, and it costs a lot of money and takes a lot of time, and we're going to take advantage of that, and the fact that, we believe we've got a best-in-class solution that we can provide at an extremely competitive price, I think speaks well for our ability to compete in that market.

Q: Okay, thanks. The color is helpful there. And then just in terms of the insights that you're getting, if any, through the Vitality program, all of the employers that have made a choice so far, do you get a sense on how often you're winning versus the competition on the platform, or, don't you get that detailed data? Any color that you might be able to share there.

Rick Anderson - General Manager of North America
I think that's more than just a Vitality question. I think that's, a question of as we go through the process, we're really in the sales window right now for these types of opportunities, so it's a little early for me to comment on what those statistics look like. I would hope to have more of that available here in the future.

Q: Okay, so basically the way it works, if I'm understanding it correctly, is right now the employers are going in, figuring out what they want to offer to their employees, the employees later on this year make a decision and further enrollment and then likely most of the revenue that is generated or will be generated shows up probably starting in 2021. Is that the right way to think about it?

Rick Anderson - General Manager of North America
I think we will start to see revenue at the back half of 2020. But then the normal sales cycle would have employers that are buying through an RFP process during the sales cycle would be implementing in January 2021. But I do believe that we will see some revenue this year based on some of the contracts.

Q: Got it. And then just lastly for me, in terms of where the efforts are kind of being directed at present and going forward, I mean, are you spending, if you had to break it down, how much time are you spending on going after health plans versus employers versus RPM providers? And, how does that all shake out?

Rick Anderson - General Manager of North America
Probably about 80% of our efforts over the last quarter have been spent in the RPM in employer space, and the remainder are getting ready to pursue the health plan space. And part of that was making sure that we had the team in place and really have spent the last 60 days, let's say, in terms of getting ready for launching that. So, going forward, I expect we'll see a little bit more health plan effort than we have for the last couple of months, but I think that in the short-term, a lot of the effort is going to continue to be employers. And we've seen some nice traction in the RPM market, so we did pivot resources into that.

Q: Okay, great. Thanks for all the color there, gentlemen. That will do it for me. Thanks for taking the questions.

Rick Anderson - General Manager of North America
Thank you.

Erez Raphael - Chief Executive Officer
Thank you, Ben.

Operator
And that does conclude our Q&A session for today. I'll turn it back over to Erez Raphael for any closing remarks.

Erez Raphael - Chief Executive Officer
Thanks, everyone. Thanks for joining our call today and looking forward to see you in our next call. Have a good day. Thanks.

Operator
And that does conclude today's teleconference. We thank you for your participation. You may disconnect your lines at this time, and have a great day.