



DarioHealth Corp.

**Conference Call to Discuss the Financing and Acquisition of
Upright**

January 27, 2021

C O R P O R A T E P A R T I C I P A N T S

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P R E S E N T A T I O N

Operator

Greetings, and welcome to the DarioHealth Conference Call.

At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. If anyone should require Operator assistance during the conference, please press star, zero on your telephone keypad. As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Mr. Glenn Garmont, Investor Relations for DarioHealth. Thank you. You may begin.

Glenn Garmont

Thank you, Melissa.

Good morning, everyone, and thank you for joining us today for the Dario Conference Call to discuss the financing and acquisition of Upright.

Leading the call today will be Erez Raphael, President and Chief Executive Officer of DarioHealth, and he'll be joined by Rick Anderson, President and General Manager of North America at DarioHealth.

We issued a press release this morning which can be found on the Investor Relations' page of the Company's website, www.dariohealth.com. An audio recording and webcast replay for today's conference

call will also be available online as detailed in the press release. For the benefit of those who may be listening to the replay or archived webcast, this call is being held and recorded today, January 27, 2021.

Actual events or results may differ materially from those projected as a result of changing market trends, reduced demand, and/or 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. For example, when the Company discusses the synergies of DarioHealth and Upright and the timing of the closing of the transaction with Upright and the financing, it is using forward-looking statements.

The forward-looking statements discussed on this call are subject to other risks and uncertainties, including those discussed in the Risk Factor section and elsewhere in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and its filings with the SEC. Additional information concerning factors that could cause results to differ materially from our forward-looking statements are described in greater detail in the Company's other filings with the SEC.

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

Erez Raphael

Thank you, Glenn, and thanks, everyone, for joining us this morning. I know that it's very short notice, so I appreciate the interest and appreciate you joining our call.

I'd like to run this call according to the (inaudible) that you have heard multiple times in the last four and five quarters when we are running our earning and we keep repeating the three main themes that we are looking in as strategic in order to grow and create value for our Company.

The first one is the transformation into software-as-a-service; the second one is the expansion from a direct-to-consumer only company into a B2B to C where we are selling mainly into (inaudible), health plans, and providers; and the third one is the expansion into multi-chronic conditions, and I think that the news that we have today is related to the second bullet and the third bullet, these two themes, and the main objective of our Company is to be successful in making this transformation into B2B to C, and then, also to expand into multi-conditions.

We're going to run this call and I'm going to hand it over now to Rick to discuss the continuous of the transformation into the B2B to C, which is the main theme, and then we'll talk about the expansion into additional conditions, the MSK, and then we'll talk about Upright and the financing.

With that, I will hand over to Rick. Rick, please.

Rick Anderson

Thanks, Erez.

We continue to make the transition into the B2B market and make progress across all three channels. We have recently announced several wins, including two Fortune 500 companies that some of which were won under a competitive RFP process where we were finalists with our largest competitors, Livongo and Omada, and prevailed in those cases. We've also announced several RPM-related contracts, including one with a large, integrated health system in New Mexico. All of those opportunities have either launched or are launching soon, so we're excited to have those finally live and starting to contribute to revenue in 2021.

Our pipeline also continues to increase across all of our market segments. We are now in excess of \$500 million in our pipeline. This includes health plans that are in contracting stage that we expect to close in the near term and contribute meaningful revenue in 2021, and we have several other opportunities that are in the late stage.

We also expect the pipeline to continue to grow as we are entering the major employer sales season cycle, and we're excited to be able to do that this year for the first time—really set up to be able to do it, and our two recent Management additions that we've announced, we think, will also help us continue to accelerate in the segment, but as we think about expanding into multiple conditions, why MSK was a priority is largely because of client demand.

Payers/employers are spending more than \$200 billion a year related to MSK, and when we are out talking to our customers, in this case, consistently in their top five priorities to reduce costs and improve outcomes. Also, MSK has significant co-morbidity with our existing conditions, especially diabetes, and the expansion to MSK increases our opportunity to sell into the employer and payer markets either as a point of entry or an expansion. It increases our partnership opportunities, and the acquisition makes our platform one of the most robust in the industry.

We can provide front-end and back-end integrated solutions with best-of-class, point—condition solutions for members, and we can provide those either as a penetration point on an individual point solution, or we can combine them together, and one of the things that we've found that we get a lot of traction with in the market relates to our willingness to integrate with others in the space, so we can do anything on the continuum, which really is a competitive advantage for us in the space.

Erez?

Erez Raphael

Thank you, Rick.

When we went out to look into what's the right offering and what's the right company that we can integrate into our platform, we were looking into the space, and this is a relatively space that there are multiple players, but there is one that is very big, having more than 60,000 users. All the rest are pretty small, and we wanted to come up with something that have a significant amount of users, and in terms of the cover rate of the sub-condition under MSK, we wanted to have something that is covering at least 50% of the sub-conditions under MSK, and one of the things that we like is what the guys at Upright have built.

They managed to create something that is scalable, and it's very unique to see a company that have more than 50,000, 60,000 users. Upright have more than 90,000 users that are active. It's very hard to find a company that is truly user-centric, and we think that the philosophy that we have is also the philosophy that Upright have where you start with a solution that is very, very user-centric, (inaudible), prove that the solution is working, the solution is performing, and we were very, very impressed with the users' feedback and all the net promoter score and other and numbers that we have seen with regard to the user satisfaction around Upright.

Actually, we have seen only two companies that have more than 50,000 users in the space. One of them is a company that recently raised a significant amount of capital as a \$3 billion valuation. The other one is Upright, so we were very, very positive about Upright. One of the most interesting things that we have seen is that despite the fact that the company was doing only direct-to-consumer and practically spent almost no money into the B2B part, they have more than 500 clinics worldwide where physicians are recommending their solution pre-surgery and post-surgery, which is something that gave us a very good

indication, and one of the most important thing is the clinical validation that we have found, which is a lot of data that is coming from users that are reporting a significant reduction in pain.

We have seen numbers that are between 50% to 60% in terms of pain reduction when it comes to the solution, and when we were looking out from an offering standpoint, most of the companies that are doing MSK would have a kind of an application and a program where users will have to exercise three or four times a week, 15 minutes each time, and usually it's something that is self-reporting. What we liked about Upright, which is, again, the same DNA that we have, is the very right combination between hardware, software, and also some element of coaching, and Upright have also a portion of hardware with a sensor that is reporting biofeedback, so the average time that we have seen that users are wearing this wearable was more than five hours every day along the life of the program.

All these elements together; combination of hardware, software, and coaching, scale, clinical results, very consumer-centric and user-centric solution, and one of the most important things for us is also the culture; a company that is agile, that will be able to move fast, responds to changes very fast, which is all the things that DarioHealth believes in, and this is why we like the team, we like the product, and we do aware to the fact that we'll have to work together with the team in order to make it ready in order to go on our platform, and we are taking into account that the next few months we'll do some kinds of restructuring of the existing product into the right offering, and that's something that we believe we'll be able to sell starting into the employers' market starting from the second half of 2021.

In terms of the synergies, when we are looking into the two companies, obviously, we're going to have one very strong theme in the U.S. that is under Rick—under some leadership that has the three subunits; employers, plans, and also providers. They're going to be able to take the product and the offering from Upright onto the platform, and in terms of R&D and the rest of the operation, this is something that we see in the medium and the long term; a lot of synergies and a lot of opportunities to make things efficient, and to rely on one integrated environment where we see one personalization, one AI, and when we are looking on our clients, number one is the user, number two is the employer or the plan, and number three is the provider. We see a lot of synergies also there, especially for our employers, and to Rick's point, where we can come up with one integrated platform where we are solving multi-conditions, so this is something that is extremely important for us.

The integrated entity creates a scale from our ability to go to the market and to offer multiple product. It's also scaling our current sales. At the moment, if we are looking into the perform of 2020, we are selling together about \$20 million, and both companies are in a good shape in order to accelerate growth and to create nice goals, and the margins that we are seeing from Upright for 2020 are above 60%, so we think that also from a margin standpoint, it's aligned with our goal to create a business that is (inaudible) to 75% growth margins from the long term, and that's something that Upright is aligned with this strategy, and the overall offering is 100% aligned with this kind of direction.

The acquisition was done at the \$30 million—\$31 million evaluation. We provided Upright the loan of \$1.5 million around six to eight weeks ago where we got Upright into a (inaudible) in order to conclude the SPN to come up with a definitive agreement that was done yesterday, so the definitive agreement was executed, and in terms of the Management Team, we are very proud to have Oded Cohen, who is the Founder and the CEO of Upright to join our Company and to be part of our Board of Directors. Oded will be leading all the MSK activities in the Company, and Oded and the other shareholders at Upright will be under a lock-up of six months, and then gradually, every quarter, some of the lock-up is going to be released. It will be fully released after five quarters signing—starting from the signing. That's something that we are very, very excited about. We see the synergy, we see the common culture, and we think that we can build a huge business together, and we just started.

In terms of the funding, this is also something that is very big for our Company. That's the first time in the history of the Company that we are raising so much money. We had a very good banker supporting us on this financing that have learned the Company in the last few months. They have a lot of understanding on how we are creating this business. All of them were active in the digital health space and have a lot of understanding on the space and our competition, and together we will reshaping the story in a way that it makes sense, and we went out there and talked with investors and explained exactly what I'm explaining now to all of you, and this is something that created a huge demand to investing to the Company, so we came and we started this road show with some idea to raise some amount of money. The demand was huge, so we raised a bit more than the original plan, but even with the more that we raised, we were highly oversubscribed, so a lot of money didn't made it to the book, and eventually, we raised only \$70 million, although the deal was much oversubscribed.

While I'm very excited from the size of the deal, I'm even more excited with the profile of the investors and (inaudible) partners that are supporting us for the last few years, and keep supporting us, also, in this financing. We see very good players like Perceptive, Driehaus, Farallon, Pura Vida, Phoenix Insurance, and More Provident Funds; all these very respectful investors, and made a decision to support us, and in terms of the balance sheet, all this money's going to go into the integrated entity Dario and Upright. As we were acquiring Upright with stock-only deal, it means that we have more than \$19 million cash on our balance sheet, which is something that is huge and it's something that is give us—giving us a very long run rate, and it speaks to the fact of how seriously we are looking into expanding into this market and what is the opportunity that we see and our investors see in expanding this business and create a real integrated, digital health platform.

We're always talking about digital health, and the old healthcare system is very silo-defined. You have a company that does diabetes, another one that is doing hypertension, another one that would do MSK. The true promise is to create personalization, and personalization is about providing the support to any issue that the patient might have, and that's really what we are trying to do here; to create one platform, one integrated system, one integrated database in order to be able to help users and really personalize the treatment. This is what digital health is about, this is what digital therapeutics is about, and we are a leader in this space, and we are planning to have the most powerful platform in the industry.

With that, I would like to hand it over to the Operator and to see if we have some questions. Rick and myself will be more than happy to answer any questions.

Operator

Thank you. We will be conducting a question-and-answer session at this time. If you'd like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you'd like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys.

Our first question comes from line of Alex Nowak with Craig-Hallum Capital Group. Please proceed with your question.

Alexander Nowak

Great. Good morning, everyone, and congrats on the news this morning.

Erez, the company's been making some really good progress on its type 2 diabetes platform, and really starting to expand into the B2B channel there, so maybe expand—explain the rationale for why now's the

good time to expand to other chronic diseases versus acquiring to go deeper into the type 2 diabetes channel, or said another way, why is it beneficial to go wider now versus deeper at the stage?

Rick Anderson

Hi Alex. This is Rick. I'll start, and Erez can jump in on that.

I think that when you really look at what's happening in the market, there's a few different trends.

One is that there's consistent interest from our customers both in the self-insured/employer space and in the health plan space around a set of conditions, and this has been relatively constant for more than a year, and we don't see it changing anytime soon, and that is really chronic conditions, especially in the metabolic syndrome area; diabetes, hypertension, etc., and then the other two big priorities right now for buyers is musculoskeletal and behavioral health, and when they're looking to bring solutions in, what we're seeing in both of those markets, although slightly differently, is there is an increasing desire to have best-in-class solutions, so point solutions are generally shining over broad-based, disease management kinds of solutions, and those of us who've been around for a while remember all of—some of the challenges that exist in those broad-based solutions. So, having point solutions where they can get best-in-class outcomes, best-in-class engagement, things of that nature, which both Dario and Upright are showing, is important, but they're also looking for how do we minimize the impact on the buyer, so both from how easy is it to buy, how easy is get to implement.

You guys have heard me talk about that as important points that we're focused on in penetrating the market, but also in terms of can we get more of those point solutions from one vendor or a smaller number of vendors, and that's where, I think, Dario really shines, and where I think that this acquisition helps us quite a bit, so it will give us access to situations where customers are looking for MSK solutions individually, and we can adopt the land-and-expand approach in those cases; gives us the opportunity to provide multiple conditions on a single integrated upfront platform and contracting process and on a back-end reporting process, and because Dario's willing to integrate with other third parties that are playing in the market, we play well with others. Our competitors are basically silos. They will not share data. They won't participate with others; gives us the ability to give customers that opportunity, and we're seeing an increasing demand, and that's being reinforced, especially when we're out talking to benefit consultants.

Erez Raphael

Yes, and one more point that I want to add on Rick's point is that eventually when we are going to a client like an employer and we are getting practically the license to hunt, so to say, so we are going out there and we need to get to a high—as high enrollment rate as possible, when we are looking into the diabetes space, we're going to have a eligible population of somewhere between 7% to 10%.

If we are looking into hypertension, it's an under 10% or 15%, and practically all the infrastructure that we're putting out there in order to go and get the clients on board is something that we are investing anyway, and since the clients are asking and we want to make sure that we are starting as many users as possible from this kind of report or pool of users that exist out there, MSK, if we are looking on the offering that we are going to have with Upright, practically in between the multiple offering of MSK, we will have as high as 40% of the overall population as eligible population, and if you add on—that on the metabolic diseases like diabetes and hypertension, we will exceed 50% of the potential population under a specific employer or plan, and that's something that is very exciting us, and if we are thinking about it in terms of cross-sell, once we have our application, either the MSK, diabetes, hypertension installed on the phone of the user, it's something that gives us the ability to up-sell and to provide kind of the one-stop-shop for our users under the client that we already acquired. So, that's something that is extremely important both

from a user experience standpoint, from a client experience standpoint, and from the financial profile of what we are trying to create here.

Alexander Nowak

That's very helpful. I appreciate it, and maybe to expand on it a little bit, could you walk through some of these sub-conditions present in MSK that the enterprise channel wishes to spend money on to address upfront versus as a longer-term issue, because I guess when I think about MSK at first and look at what Upright has been doing, I think of it as a posture support, and that would tie more towards a direct-to-consumer product, which it has been, but obviously, you're mentioning moving this into the enterprise channel. You're mentioning there's already 500 clinics using the product today, so clearly, there is a big need for this in the enterprise channel, so maybe just help level set us. What sort of sub-conditions could we expect that could get treated that would go through the enterprise channel versus direct-to-consumer?

Erez Raphael

Yes, so practically, if you are looking on the MSK conditions, the top three conditions that are covering 50%—52%—about 52% of the overall condition is back pain, neck, and shoulder, and this is clearly something that Upright have today, which is something that gives a very wide coverage. We're going to make this coverage even wider because we want to get into knee and other elements under MSK, but for the—specifically for the employer market, it's a lot about these three sub-conditions, so neck, shoulder, and back pain, and that's something that we have—Upright have a lot of experience with (inaudible), tens of thousands of users that generated a lot of data from a real biofeedback product, which is not the case with 90% of the MSK product that you have out there, so this is something that we are very excited about, and we think that in terms of when I'm saying repackaging to create a different offering, I think that, from the product standpoint, the product is there, the sell source are there, the data is there, the feedback from the users from the last few years is there, and we know exactly what users are reporting, and just to give you the numbers, 57,000 active users from Upright reported a reduction in pain.

This is number that doesn't exist in the industry, and once we are looking into this numbers from our perspective, it's taking the same product, repackaging into an offering that will make sense to the employers out there, finding the integration from a business standpoint and also from a technology standpoint between value to Upright and to create one platform that will do much more than a posture or back pain, and that's something that we have and we made in the last four months a very complete analysis how quickly we can do that, and we go to the conclusions that by July 1, we will launch the suggested offering, and by the way, again, Upright are already selling into a B2B market. They're selling into 500 clinics. They also have some agreements that are taking them, at the moment, into the employer market, but we think it's going to be much more harmonized for the experience of our employers or the clients if we're going to create one integrated platform, and this is what we are intending to do in the next five months before we're going to launch it at the very beginning of the second half of this year.

Rick Anderson

Alex, I was going to add a little bit to—sorry, if you just—real quickly, I think they're—they—Upright—they have been on a pathway we are very familiar with, so they started in a consumer industry. They've done a lot of work to understand the user and make a valuable product to that user, and as a result, they've got a very high level of engagement in that, so then they were transitioning into a membership, and then as Erez just mentioned, they've been moving towards the B2B space with a different kind of offering, but they fit very well with us because that fits with the way we're going to market anyway and the strategy that we've been getting a lot of traction with, which includes a very high level of engagement by having a very consumer-first focus across the organization, so I think that fits very well with what we're doing, and, as Erez said, we're modifying the offering.

A lot of the MSK offerings that are out there are entirely digital with maybe a little bit of coaching, videos around how to do things, in certain cases connected into virtual PP visits. We will be able to do all of that with minor modifications, and we have all of the existing customer data that allow us to personalize those solutions for the members, so I think it's actually a very—it'll end up being a very strong offering in the B2B space.

Alexander Nowak

That's great, and maybe just one more question on that, and then another on the core business, but just to make sure, to fully understand the offering that Upright has in the clinics, can you just give us an example of a clinic on-boards Upright, you mentioned they're using in pre-surgery or they're using in post-surgery. Maybe just walk through how that clinic is actually using the product today.

Erez Raphael

Yes, so practically today, it's something that is kind of integrated with the B2C. They're going to ask for the device. There is some level of membership, so the device is an upfront payment, and then on top of that, they are paying for some element of membership that is being charged every month. The specific (inaudible) of exercises that is being provided together with the device, this is something that is being provided by the physician, by the physical therapist, and it's including training and content that all of it together, with the device, and together with the biofeedback of the device, that's something that the physician would know that the exercise is happening, and then there is full biofeedback, and practically, because they're using it on a daily basis at least for 12 weeks, that's something that drives the behavioral change, because what Upright are trying to do as opposed to other solutions is to touch the root cause of the problem and to change the posture and to change the way that people are having a—kind of managing their day-to-day lifestyle. Practically, the specific sessions, but for the rest of the day, you wear this kind of sensor that provides feedback, and eventually it helps users get used to a different posture also out of the daily exercise they are trying.

Alexander Nowak

Perfect, and then just last question, just on the core business, you've obviously signed a few of these enterprise deals to close out 2020, and the pipeline sounds very rich for 2021, so not necessarily asking for guidance here for this year, but just maybe some direction; how you're thinking about the sales growth into 2021 both with and without the Upright acquisition.

Erez Raphael

Yes, so just the number that I want to—that this is something that we were mentioning on the press release, and also mentioned this morning; the integrated business value in Upright generating about \$20 million in 2020. Both of us are in a trajectory to grow. When we are looking into the transformation that we have into the B2B to C, we see that we're going to start and see revenues that are coming from the B2B from the accounts that Rick talked about them and we are launching now, so we're going to see it in Q1.

We need to remember that the Upright revenue, not all of it will be recognizing in Q1, but we do think that both companies are in a trajectory for significant growth once we are implementing our B2B accounts. Even without having a single dollar generated from B2B on the MSK side, just on the value side, B2C, value side, B2B to C, plus the current business that Upright have, we think that we have here a very nice story of the growth where the majority of the growth will come from our natural business, our native business, which is the diabetes and the hypertension that is going to grow mainly because of the implementation of the B2B to C accounts, so we already signed a few accounts, and just as a reminder,

every user that is getting on the platform from the employers on our business is between \$60 to \$80 per member per month for the employers and for the plans, and that's something that can be applied in the model. At that point, we are not providing a specific guidance. It might change in the next two or three months as—out of us working on the integration between the companies, and we'll consider providing guidance once we are publishing our Q4 results.

Alexander Nowak

Okay, excellent. Thank you.

Erez Raphael

Thank you, Alex.

Operator

Thank you. Our next question comes from the line of Scott Schoenhaus with Stephens, Inc. Please proceed with your question.

Scott Schoenhaus

Good morning, Erez and Rick, and congrats on the deal.

My first question is really I wanted to touch more on these near and longer-term cross-selling opportunities, and then Rick, for you, your team—your sales team has been—done a terrific job of closing these B2C deals. How is this Upright acquisition salesforce going to be integrated into your sales team? Thanks.

Rick Anderson

Yes, so as Erez mentioned, most of the focus out of Upright has been on the B2C side, so there are limited B2B resources that are currently within Upright, so those will be absorbed into the existing team that we have on the B2B side, but it will primarily be the existing team that will be out there selling it. It works very nicely from a synergy point of view in terms of our ability to leverage what we've already built, and without a lot of duplication and overlap from that perspective, and I know the team is excited about having another solution that there's a strong demand for out there in the market to be able to take to the market, and there's been some initial collaboration, and we feel very good about our ability to take that and really run with it in the B2B market starting immediately.

Scott Schoenhaus

Great, and I guess my follow-up question is, I think you guys said that the MSK market is currently \$2 billion revenue opportunity annually. Can you tell me how—the cadence of how much market share you can take every year given now you're going to have one of the largest and most robust kind of chronic illness platforms addressing multiple needs? Can you tell me how quickly you can gain market share in this \$2 billion opportunity? Thanks.

Rick Anderson

Yes, so it's \$200 billion that employers and health plans are spending on MSK direct and indirect costs. The total addressable market here is going to be well north of \$30 billion if we just use the usual metrics that we use to look at what the market size is, and you probably heard me talk about the fact that if you

take everybody in the industry and throw them all together, the penetration from a digital therapeutics or a digital health perspective where you have data is probably in the mid-single digits. In musculoskeletal, that's going to be much lower. You're probably looking at something in the area of kind of 1%.

Omada is the only major competitor with more than one offering that is out there selling an MSK solution. Obviously, there's half a dozen or so digital MSK solutions that are out there. It's hard to put an exact number on that, but we think we will get more than our fair share of that market penetration as we go forward, and I would look at over, let's say, the next two, three, four years, we're going to see market penetration that's going to go from 1% to probably more like the low 20%s because this has become such an issue that people are focused on.

One thing we haven't really talked about, too, is just that the—MSK was an issue before the pandemic. It's changed in color a little bit as we've gone into the pandemic. Employers are out there trying to figure out how do we deal with this when we've got employees at home? It's different than when we have everybody in the office, and going through that transition, but it actually increases the opportunity that's there, and there's an offshoot opportunity that I would call the resilience market where you have employers that are looking for, essentially, how do we support our employees while they're at home, and hopefully, there's a light at the end of the tunnel here with the pandemic, but we're also seeing a lot of folks that are focused on the idea that they are going to have work-from-home workforces for years to come; that we've seen, essentially, a fundamental shift in the workforce here, and that's creating even more opportunities that relate to that.

Erez Raphael

One more thing, Scott, when we were thinking about it—and I want to give you the—we gave you the top-down aspect, I mean, the total reversible market, and so on, which is always nice to see how big is the market and so on. I want to take you to the bottom-up kind of analysis, and in the bottom-up analysis, we are looking into probably an hour for average revenue for user that is lower than the average that we have on the diabetes because it's going to be like \$30, \$40 per member per month on average.

However, if you are looking on the total eligible population under an employer, for example, if we are looking into the different programs, you have something like 40%, while you have on the diabetes only 10%, so when you are looking into the multiples of total eligible under the specific employer and you multiply it by the enrollment, right, and multiply it by the average revenue per user, probably you're getting to a number that is not lower than what we have in the diabetes and the—or the hypertension, so that's one angle to look on that, and if you will assume that on, let's say, 35% to 40% of the clients that we're going to have out there, we're going to get them more than one condition or two conditions or three conditions, then you can make the multiples how much revenue we can extract for every account, and I think that this is how one plus one equals three or four, and that's the way that we are looking and—on that, because we believe that we cannot just extract more dollars. We can make the diabetes with the higher enrollment rate, and when we have the MSK, and we are getting the diabetes, then we can get on the MSK higher enrollment rate, and this is the environment that we want to operate in.

Scott Schoenhaus

Thanks for that color, Erez. Appreciate it.

Operator

Thank you. Our next question comes from the line of Ben Haynor with Alliance Global. Please proceed with your question.

Ben Haynor

Good morning, gentlemen. Congrats on the acquisition, and thanks for taking the questions.

First off for me, just on Upright's 90,000 or so users, can you kind of give us a sense of what the user count looked like a year ago or maybe two years ago so we can get an idea of the growth, and then the—it sounds like it's kind of a 12-week program. Do users stick around beyond that, or are you constantly adding new users, or is the company constantly adding new users to replace the ones that have already gone through the program and are getting relief?

Erez Raphael

Yes, absolutely. Thanks, Ben, for the question.

Yes, so in general, Upright now is in a movement of like growing from 90,000 users. We believe that we're going to grow into something above that. If we are looking one year back, it was in the ranges of 50,000 to 60,000 users, so we can see growth here in the monthly active users. At the moment, like previously in Dario, we are not looking into the same ARPU (phon) where we're going to have—that we're going to have on the B2B market on the employers, but what we are having now on the B2C market, so in the B2C market, the average revenue per user is lower, and once we are going to make this kind of transformation into creating the sourcing into the employer market, we believe that the revenues—we're going to be able to extract more revenue

So, to make a long story short, in the growth in terms of the user, say it was going from 50,000, 60,000 users to kind of 90,000 as of today, and when we are looking into the specific programs, the way that we're going to design it is the program—that we're going to have like three types of programs; a program for prevention, a program for acute, and also a program for chronic conditions, and on average—if we are looking on all the three programs together, on average, we're going to extract in the ranges of \$400 to \$500 per year on every user, so this is one of these diseases as opposed to diabetes.

On diabetes, you might ask a question, okay, so you have a diabetic. He's using your glucose monitor or he's using your platform, and then you are looking into retention year-over-year. Here it's a bit different model because you are usually creating a model for full year, and then, on the acute side, people are reporting whenever they had a pain, and that's something that is (inaudible), and users are utilizing the service—or not utilizing the service, but this is something that is like more something that is back and forth where you have a very good solution, you get the user approaching the platform when they have an issue or a pain or a chronic issue, and then it's kind of the back and forth based on the specific issues that is being identified by a specific screening, and the specific screening will provide the specific kind of recipe for how to deal with that. You deal with that. You're done, and then, when you need it, you are utilizing the platform. So, it's a bit different; like a constant kind of chronic thing that you see in diabetes or hypertension.

Ben Haynor

Okay. That's very helpful, and then on these 500 clinics that they deal with now, how important are they to driving the kind of patient growth and user acquisition? Kind of where are the patients originating from for their business?

Erez Raphael

Yes, so practically, one of the amazing things—and this speaks to the quality of the product and the quality of the offering that Upright have—this is something that started B2C, and clinics that have seen

the impact, and it's, as I said, 57 active paying users that reported clearly a reduction in pain that is between 54% to 60%, that's something that speaks for itself. So, what we—what Upright have seen in the last two years is that clinics recommend it on that, and this is something that was going naturally without any investment into the B2B.

One of the things that we are looking into is, okay, how are we going to manage the small businesses like these clinics. That's how we're going to take it to the employer. So, I would say that looking into the Upright business, I would assume that in terms of growing the current business, this is something that can provide growth even before implementing this kind of offering into, I would call it, direct platform where we have access to the employers and the plans, and that's something that we're going to see the big benefits of the Rick platform on the MSK toward the second half of the year and into 2022. Needless to say that we have enough growth engines from our existing business, B2C, the B2B of the diabetes and hypertension, the B2C and the clinics that are coming from Upright, that we are looking into very exciting year in terms of the goals that we can come up in 2021 and to show investors the ability to scale, the ability to integrate, to cross-sell, and to create much more dollars in terms of revenue for every dollar that is being invested into sales and marketing.

Ben Haynor

Okay, great, and then just lastly—well, maybe two more quick ones.

You've won some competitive RFPs here recently. Obviously, congrats on that, but can you share, maybe, kind of what your batting average looks like so far, and maybe where you expect that to trend towards this year?

Rick Anderson

Sure, so just for context a little bit, we—we're largely selling off-cycle in the employer space for 2020 for a couple of reasons, one of which was we didn't really have the team in place to start in the natural cycle for employers, which really kind of runs from January to December. So, right now you're in strategy and RFP sessions. Mid-year, you'll start getting into contracting, and then implementation for 1/1 launches for the majority of the employer business. There are opportunities that are both 7/1 kind of launch dates, and some others as well, and off-cycle opportunities, and then, of course, we had the pandemic in 2020, which really kind of threw the whole thing off of what it—a normal cycle would look like. So, with that said, we spent a lot of 2020 really educating benefits consultants, getting the name out there, and our hit rate when we get to bat has been much higher than I would anticipate in a normal situation.

We're running probably two times to maybe three times what I would normally would expect, and that's part of the reason why we're so excited to really be ready and jump into the season this year because we think that our biggest challenge, the way that we're looking at it, is to really increase the number of at-bats that we're getting, and have really focused our resources around that; name recognition, etc., to get those opportunities, and especially with the additions that we've recently had to the team.

Chris, who's now leading our employer sales opportunity, comes out of Mercer. He ran the Innovation Group there; obviously has seen—I think they did something like 300 company evaluations in two years, something along that magnitude. He's seen all of the—everything that's been out there, really understands what that is, and the flip side of that, of course, is he was dealing with the employer on the other side, and then we also have Claudia who joined us. Most recently, she was at Omada, and she's leading our Benefits Consultant and Partnership Group. Again, people with lots of connections into the industry. We really believe those will help us accelerate as we go into 2021.

Ben Haynor

Okay. Fair enough, and then just lastly for me, when should we expect the Rick platform to be broken off specifically in the SEC filings and earnings releases?

Rick Anderson

Thanks a lot, guy. I guess (inaudible) now name—he's now given it a name. I'm probably never going to live that down now.

Ben Haynor

Thanks a lot for taking the questions, guys.

Rick Anderson

Thanks, Ben.

Erez, you want to comment on market segment breakdown? I don't think we're really going to plan on doing that breakdown in the immediate future, but Erez?

Erez Raphael

Yes. I think that it's going to take us couple of quarters before we will be able to start and report according to the specific segments. I do want to say that, already in Q1, we are seeing revenue that is coming from at least two of the segments, so it's happening, and very shortly, we're going to see the third one. So, it is happening, and once we are building a bit more scale and we feel more confident with that, we're going to start and report.

Obviously, we don't want to be in a situation that we are under—that we are over-promising, so that's something that is happening in Q1. We do have revenues that are coming from two of the three channels under Rick's platform, so to say, and we see users that are getting on the platform. So, that's number one, and number two, we're also seeing in Q1 a growth in the membership and numbers of members that are getting on the platform because of the Rick platform, and then—and one more important thing in terms of our ability to sell, and we are talking a lot about the pipeline and how many clients we have. There is no doubt that by having additional chronic condition and a wider chronic condition like MSK that have specific demand, one of the top two by employers, that's something that will improve drastically our conversion rate, and one of the recent announcement that we made in terms of new talents that are joining Dario, so Rick mentioned Chris.

I want to mention also Claudia that used to work for another company that have both diabetes and MSK, so we know how clients are looking at it. We know how things can be accelerated once you cross-sell the different offering among specific clients. So, we see here an improvement in the conversion rate of pipeline into clients, and then conversion rate or enrollment rate inside a specific client to get more users that will be using one of our chronic conditions, so multiple for our chronic conditions, so that's something that we are also excited about.

Ben Haynor

Okay. Thanks a lot for taking the questions, gentlemen.

Rick Anderson

Yes, thanks.

Operator

Thank you. Our next question comes from the line of John Vandermosten with Zacks Investment Research. Please proceed with your questions.

John Vandermosten

Hey, Erez. Rick, congratulations on the deal. I wanted to let you know I sat up a lot straighter on this call because of your acquisition.

First question is on the 90,000 users. What proportion of those are on membership and what proportion are just using the device?

Erez Raphael

Yes, so most of them is—like 85% of them are utilizing the device and the application. It's a matter of business model that is being changed. Actually, before the acquisition, Upright moved into this membership. I would say that in terms of the transformation of the business from a device into a membership into the B2B, they are like around a year-and-a-half behind Dario, but by having this kind of integration between Dario to Upright and all the knowledge that we have built in the last year-and-a-half, we're going to help Upright accelerate this kind of transformation, so we see it accelerating very fast. That's on the membership side.

John Vandermosten

Okay, and on regional sales, I mean, I'm assuming a lot of this in the United States, North America. What is the regional breakdown there?

Erez Raphael

Yes, so it's like more than 90% is in the U.S. The Company's very, very U.S.-focused, and that's something that will continue. Both companies are very, very, very focused on the U.S. market, although both of us have the ability to sell out of the U.S., but what we are planning to do in 2021, 2022 is to make sure that we are scaling very quickly into the U.S. market and making sure that we are creating a very unique platform. Not a lot of companies in the digital health, and especially in the digital therapeutic space have this kind of platform, this ability to make integrations, a very strong R&D team, and no feeling (inaudible) that we'll be able to create one integration, and we are very excited about it.

John Vandermosten

Last one for me is on the AI approach. That's been a big part of your diabetes platform and the hypertension/weight platforms. How will that, or does that—is that a big part of the approach on MSK? Is AI used a lot there, and how is it leveraged to improve outcomes?

Erez Raphael

Yes, so if we're going to go step back, the philosophy of our Company, the philosophy is that you drive the overall change by learning the daily routine of the user and learning what are the specific habits that users have, and then try to provide specific interventions or how to impact the daily routine by changing small habits. This is what we are doing. How we do that, we are capturing a lot of data that can be

consumer data, biochemical data, biofeedback. All these kind of things is something that helps us build the profile of the users. So, there are some applications that, once you are signing up, will ask you two million questions and will get you tired until you are dropping the application. Now, other products, like Dario, that are trying to collect this data in order to create this profile, and in order to provide a very personalized experience. This is what we are trying to do here; an additional dose of kind of data that will provide a better understanding of personalization.

That's something that is being a huge, huge advantage in the medium and long term for our platform. So, the way that we are looking into AI is that once we are looking into integrated data experience, we can make our AI smarter and smarter and much more personalized, and then once we have that, we can drive the other (inaudible) in a much more effective way and a much more easier way.

There is one company on the MSK in the world that has users that are utilizing its device and application for 5.5 hours every day, and it's Upright, okay? You wouldn't find any other company to do that, and this is one of the things that makes us super excited on how we can take this kind of product into an offering that will be very successful into the employer and the health plan market.

John Vandermosten

Okay, great, and congratulations, again, Erez, Rick. Thanks for taking my questions.

Erez Raphael

Thank you, John. Thank you.

Operator

Thank you. Ladies and gentlemen, that concludes our time allowed for questions. I'll turn the floor back to Mr. Raphael for any final comments.

Erez Raphael

Okay. Thanks, everyone, for joining the call, and thanks, Rick, and I would like to take also the opportunity to thank our Management Team, the Board of Directors, and also the new team from Upright, and goes without saying that big thanks for all our existing shareholders that made a decision to support us also with this current deal like they did in previous deals, and I want to welcome, also, our new shareholders that just joined. We are excited to have you on board, and we are looking forward to create value together. So thanks, everyone, and have a good day.

Operator

Thank you. This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.