



DarioHealth Corporation

Second Quarter 2021 Results Conference Call

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PRESENTATION

Operator

Greetings, and welcome to the DarioHealth Corporation Second Quarter 2021 Results Conference Call.

As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Chuck Padala. Thank you, Chuck. You may begin.

Charles Padala

Thank you, Operator, and good morning, everybody. Thank you for joining us today for a discussion of DarioHealth's second quarter 2021 financial results.

Leading the call today will be Erez Raphael, CEO of DarioHealth. He'll be joined by Zvi Ben-David, CFO, and Rick Anderson, President and General Manager of North America at DarioHealth. After the prepared remarks, we will open the call for Q&A.

An audio recording and webcast replay for today's call will also be available online as detailed in the press release invite for this call. For the benefit of those who may be listening to the replay or archived webcast, this call is being held and recorded on August 16, 2021.

This morning, we issued a press release announcing our financial results for the second quarter 2021. A copy of the release can be found on the Investor Relations page of DarioHealth's website. Actual events or results may differ material from those projected as a result of changing market trends, reduced demand, and competitive nature of DarioHealth's industry. Such forward-looking statements and the implications involved may 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 2021 Annual Report and Form 10-K, as well as the Second Quarter 2021 10-Q filed this morning. Additional information concerning factors that could cause results to differ materially from our forward-looking statements as described in greater detail in the Company's press release issued today and in the Company's filing 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 operation and prospects for the future. A reconciliation of these non-GAAP measures of the most comparable GAAP measures is included in today's press release regarding our quarterly and year-end results.

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

Erez Raphael

Thank you, Chuck, and thanks, everyone, for joining our call this morning.

We're reporting this morning material advances in each of our three pillars that defines our strategy.

On the multi condition front, we believe that we have all the right components in place, and furthermore, we also have very good validation from customers on the acceptance of the idea on—of multi conditions under one platform.

On the transition to B2B2C, we see the fruits—we see the bearing fruits and the intents of the transformation into SaaS high gross margins. We are showing a significant improvement also in this quarter, so Rick and myself will discuss today how this strategy that we have is well-timed into today's healthcare market, and digital health market, specifically, and given the client feedback that we see, we are super confident that the strategic initiatives that we are choosing is putting Dario in a very good position in a place where we can scale and we can create a compounding growth and improvement of our financial results moving forward.

Looking into our actual results for this quarter, for quarter two, we generated approximately \$5.3 million, which is a growth of 46% over the previous quarter, sequentially, and it's almost 200%—194% year-over-year increase comparing to quarter two of 2020.

On the gross margins, we also drove a significant pro-forma gross margin expansion, and in Q2, we reported 49.4%, a sequential growth from 44.7%, and if we look back into the second quarter of 2020, the

number was only 34.9%, so also here we see a very nice improvement, and this is due to the fact that we continued the transformation into the B2B2C, and also launching more membership programs, and overall, as we stated in previous quarters, the objective of the business is to grow north to 70%, so we expect that in the next few quarters we're going to see this trend continues.

On the multi condition strategy, we had our vision that when building a digital therapeutics company that deal with chronic condition, we need to deal with the co-morbidities, and we were always talking about personalization, and we expanded the theme to what we are calling hyper personalization, hence when we are dealing with a patient that have one disease and have co-morbidity, we need to create one integrated experience that is driven by one AI engine and AI journey, and this is what we did, and we integrated things together, and we are very excited to report today that it's not just that we are growing our pipeline from \$700 million to \$900 million.

We also report that 66%, two-third of the opportunities clients that we have in our pipeline are looking into buying for the full suite, so given the overall transformation in the healthcare market, and specifically the digital therapeutics market, we're seeing that by choosing this strategy and to manage multi condition under one platform, one experience, one hyper personalization experience, this is something that increase our value proposition, and also increase the demand for the platform, and we see that was the very good feedback that we are getting from our potential clients.

In terms of the metabolic and the diabetes, that is something that, on a level of ARPU, average revenue per user, we think that this is still going to be the backbone of our pipeline, and this is what we're seeing when we are analyzing our pipeline, but overall, the behavioral health, the physical therapy, the MSK, are confident that added to our overall portfolio, and we believe that's something that is going to improve our win rate moving forward in terms of winning accounts.

On the B2B2C transformation, we gained considerable traction on the self-insured employer market and also on the healthcare provider segment, as was demonstrated by market acceptance, and the long-awaited health plans contract was delayed mainly for logistics reasons. Nonetheless, we remain confident that the agreement is imminent, and in parallel, we also see this pipeline of health plans keep growing. In some opportunities, we also have demand for the full platform and not for a single condition, so also here we are still very positive that we are heading into the right direction.

On the implementation side, as we reported in previous quarters, we still see a very strong capabilities moving all users to the platform. We are still north to 40% enrollment rate, when on the retention we are—we believe that our users will complete the full year with 80% retention rate, which is the numbers that we have seen for many years on the direct-to-consumer where we have a lot of experience, so if we are considering the rapid success with employers and providers, the increase in terms of the percentage of those clients that would like to address multi condition under one platform, plus the strong implementation capabilities with high enrollment rate we are having, we are very positive that we will keep creating a very positive momentum into the second half of 2021, and further than that, also into 2022.

Overall, we believe that looking into the financial profile, more conditions should generate higher ARPU, average revenue per user, because, on average, users have more than one condition. We are also touching more users, because the eligible members under one account that can use one or more of our products is much wider. When we started with diabetes, it was 8%. Now we are looking to numbers that are as high as 40% of members under one account that's eligible to our product, and in parallel, the win rate among all the opportunities, we believe that this is something that will grow because of the menu of multiple conditions that we have, so with all these parameters improving under same investment into sales and marketing, we believe that this is something that will improve drastically the financial profile of the Company in the next few quarters.

With that, I would like to hand over the call to Rick to elaborate more into the commercial strategy.

Rick Anderson

Thanks, Erez.

One of the keys to our success in the strategy of moving to B2B is our ability to generate enrollment and revenue from those accounts. As Erez just said, we've been very pleased with the operational results so far. Enrollment where we are running the enrollment program continues to be greater than 40%, and as previously stated, we use 35% in our pipeline calculations and our internal models. Current trends suggest that we will remain on track to achieve 80% annual retention, consistent with historical trends, and we have grown users on the platform to approximately 197,000, and we are seeing growth in average revenue per user. These operational metrics speak to our ability to convert the contracts to revenue and continue to grow gross margins.

Last quarter, we also discussed our partnership with the telehealth firm MediOrbis to provide virtual care offerings directly to patients. MediOrbis is providing the telehealth services. We are providing the remote patient monitoring and coaching. Now, with a quarter of experience, we have proven we can obtain patients, deliver the services, bill, and get paid. We've generated learnings and improved the efficiency of our overall operations, which has significantly decreased the cost to onboard patients, and we are even more enthused by this partnership offering now than we were a quarter ago, and we anticipate continuing to scale it in the coming quarters.

On the business development side, the pipeline is now above \$900 million. We continue to make progress in all three channels.

Starting with health plans, as most of you know, we anticipated a health plan contract in the second quarter. We acknowledge this deal has taken longer than planned, but we feel great about the progress and the prospects despite the delay in signing. By way of an update, the terms of the deal are agreed. We did have some unforeseen logistical delays unrelated to any deal points, but we believe signing is now imminent. The customer has stated that they desire to launch this year. This is just one of several health plan opportunities that we believe could close this year, and while we saw a delay in this first health plan contract, we are pleased that we are in a position to close it and others in under 18 months in a market segment that typically sees sales cycles that are 18 to 24 months, and sometimes longer.

On the employer side, employers represented the largest growth in our pipeline since last quarter as we work our way through the sales cycle for first quarter 2022 launches. We are pleased with the traction we have gotten, and anticipate we will be finalizing contracts throughout the rest of this year. We have progressed to final stage and have been chosen as the winning vendor in several competitive RFP processes against our best knowing competitors. We are demonstrating that we can be competitive in the mid-market and the very largest of employers.

On the remote patient monitoring side with providers and health systems, we have recently announced two large provider contracts. Several additional contracts are pending final agreement, and we expect will contribute to revenue this year. We are seeing increasing interest from larger health systems, and more deals are moving through the pipeline faster, meaning closer to closing. With the addition of MSK and behavioral health to our product, we believe we now have one of the most complete integrated offerings in the industry.

This has given us the ability to meet the growing demand in the market for single vendor, multi condition solutions, and as Erez mentioned, while the metabolic suite remains the backbone of our offering, two-thirds of our pipeline is now for the full product suite. We have solutions covering most of the conditions in

high demand from employers and health plans, and it has expanded our opportunities to penetrate customers and compete for business than would otherwise have been possible.

As we look back the half of this year and to 2022, we are even more confident that we will see strong growth in the B2B segment. We are starting to see the efforts we've put into building product and brand awareness translate to contracts. Our operational results with our first few customers are building reference customers on which we are already seeing a benefit. First customers are always the hardest, and happy reference customers increase momentum of the overall business and contracting. We see strong growth of members on the platform from business already contracted and deals anticipated this year in all segments. We continue to grow our commercial teams, with a significant number of new team members coming from competitors and large health plans, which speaks to the quality of our offering and how they see our prospects in this market.

We continue to see wins in competitive RFP processes against the most established competitors in the space. Most importantly, with the expansion of all of our channels, employers, providers, health plans, and RPM with MediOrbis, we have multiple growth engines. We are not dependent on any individual channel to achieve our growth objectives. During the rest of 2021, we expect at least a few health plans; several additional employers, some launching this year, and many more in 2022; several providers and health systems; a handful of partnerships, and potentially, an interesting strategic deal, and most of the deals to include more than one condition.

With that, I would like to hand it over to Zvi.

Zvi Ben-David

Thank you, Rick.

Revenues for the second quarter ended June 30, 2021, were \$5.26 million, a 46% sequential increase from first quarter ended March 31, 2021, and 194% increase from \$1.8 million in the second quarter ended June 30, 2020.

Gross profit in the second quarter of 2021 was \$1.5 million, an increase of \$872,000, or 137%, compared to a gross profit of only \$636,000 in the second quarter of 2020. Gross profit margin was 28.7% in the second quarter of 2021 as compared to 35.6% in the second quarter of 2020.

Pro-forma gross profit, excluding \$1.1 million of amortization of expenses related to the acquisition of Upright Technologies and wayForward, was \$2.6 million. Pro-forma gross profit margins, excluding amortization of expenses relating of those acquisitions, was 49.4% in the second quarter of 2021, a sequential increase from 44.7% in the first quarter of 2021.

Operating loss for the second quarter of 2021 was \$18 million, an increase of \$13.9 million, or 337%, compared to \$4.1 million operating loss in the second quarter of 2020. This increase was mainly due to an increase in our operating expenses.

Net loss was \$17.8 million in the second quarter of 2021, an increase of \$13.8 million, or 343%, compared to the \$4 million net loss in the second quarter of 2020.

Adjusted non-GAAP net loss, excluding stock-based compensation, acquisition amortization, and costs as detailed in the reconciliation attached to the press release we issued today, was only \$10.6 million in the second quarter of 2021, an increase of \$7.5 million, or 239%, compared to the \$3.1 million in the second quarter of 2020.

Cash and cash equivalents totaled \$63.9 million on June 30, 2021.

Back to you, Erez.

Erez Raphael

Thanks, Zvi.

As a way of summary, I would like to re-emphasize that, in this quarter, we will keep validating the strategy of the Company in terms of wins on the B2B2C transformation. We have seen wins in employers and providers, and on the health front, as Rick stated, we believe it's imminent—the agreement is imminent and we expect it very shortly.

In terms of the multi condition, the idea is something that is getting a very positive validation from the market as represented by 66% of the pipeline that is for clients that want to embark on the full platform, and on the implementation side of the accounts that we already signed, we still getting a very strong numbers in terms of enrollment and adoption and retention, so we feel very positive that we know how to convert accounts into dollars, so overall, given this positive validation of the strategy, we believe that we are building momentum into the second quarter of this year, and also into next year, so on that end, we do feel very comfortable that we're going to grow, and even accelerate the growth.

In terms of the cash position, to Zvi's point, we ended the quarter with almost \$64 million in cash, and if we are looking on the adjusted loss, after stock-based compensation the loss was \$10.6 million, so overall, we believe that we have a very good position in terms of cash, we have the runway moving forward, and we're going to still—we're going to stay very cash protective in order to operate on our current plans.

With that, I'd like to pause and to hand over the call and start the Q&A.

Operator

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

Alexander Nowak

Great. Good morning, everyone.

Rick, want to start with a question with you regarding some of the remarks you made. You mentioned upcoming is a few health plans, but you also said there's an interesting strategic deal coming, so a two-part question; can you expand on the health insurance deal that is in the pipeline that was expected to close in Q2, just why that was delayed, just a bit more color there, and then what other health plans do you have behind that, and then second, can you elaborate on the strategic deal that you have in the works?

Rick Anderson

Okay, so in terms of the health plan contract, essentially, there was a few different logistical things that happened. One, and probably the most significant, was that the health plan implemented a new IT policy because they had brought in a new head of their—basically, chief information officer, and we got caught in the process. We were actually the first vendor that they put through that process. They were not anticipating that, so when they put in their timelines to make things happen, they had not built that into the

process. The good news was we were first in line. The bad news was we were first in line, and we kind of got caught in that process, so that delayed us several weeks on the back of that, and as I'm sure you're probably well aware, going into August, we got caught in some of the vacations and some personal leaves that ended up happening, so we believe that we're through those processes. The terms of the agreement have not changed in months, and we do believe, at this point, that the signing of that contract is imminent.

On the strategic deal, there's not really a lot I can add to it other than to say that we've been talking to a number of different parties that are very interested in what Dario's been able to do, what we've been able to achieve in the market, and our overall technology that's underlying what we're doing, so that's why we think that there might be—certainly not promising anything here, but there might be an interesting strategic deal still this year based on the several different things that we have going on.

Alexander Nowak

All right. Understood. Got it, and regarding the pipeline, I think last quarter you said that the number of deals expected to sign this year was 20 to 30 in 2021. We've obviously seen a number of deals come in so far, but what do you think that number's going to stand at now? Is it still 20 to 30 in 2021, and then can you give us the contracted value of the deals that are signed just so we can start to put some numbers behind each sort of win we see through the press releases?

Rick Anderson

I think that we're still probably in about the same place give or take in terms of number of deals by the end of the year that we'll see. We're seeing a little bit of a delay in some of the processes happening, so we've got processes that are running a little bit later, but based on the activity that we've seen so far in the deals that are currently in contracting, I think that's probably about right.

I think as we go forward in the quarters—and I'll let Erez comment here as well—but I think as we go forward in the quarters, we'll be providing some additional detail around how much value we see coming out of those contracts as we start to see that finalized for the overall book of business.

Erez Raphael

Yes, so...

Alexander Nowak

No, perfect. Okay, go ahead, Erez.

Erez Raphael

No, go ahead. Sorry.

Alexander Nowak

Oh no, I was just going to say, Erez, I know you don't provide the guidance here, but you did mention the growth—throughout the script, you mentioned the growth accelerating. The Street has you modeled up with a pretty big ramp here in the second half of the year. Just given all these deals that you mentioned, the more that are coming, are you comfortable with the ramp that the Street has you modeled at, and what sort of growth do you think is achievable in 2022?

Erez Raphael

Yes, so at the moment, if we are looking into the consensus of the Street for the full year, yes, we're comfortable with what we see from the Street. It's very hard to provide an average revenue from contract, because it might be a small employer with 200,000, and it might be a health plan with seven million, and we have also health plans that might have 15 million or 25 million, so this is why we feel it's early to talk in terms of each and every contract, but we believe that it's going to take us another couple of quarters before we're going to start to provide more value per every contract, and then it will be much easier to model, but if we are looking into accounts that we signed, plus to Rick's point, signing overall 20 to 30 before the end of the year, plus taking into account that we're going to have at least one or two implementations of health plans that will start this year, I do feel very comfortable with the consensus that we see by the Street for this year and also for next year.

Alexander Nowak

That's great. Appreciate the update. Thank you.

Erez Raphael

Thanks, Alex.

Operator

Thank you. Our next question comes from Charles Rhyee with Cowen. Please proceed with your question.

Charles Rhyee

Yes. Thanks for taking the question, guys.

Just wanted to ask, Rick, this first health plan, it obviously seems like it's imminent. Anything about the next couple that you are in discussions with that you could give a little bit more details on? Are those ones where you're still waiting to be selected, or you've been selected and are terms already set, and is it also in sort of this last stage? Any kind of additional details around some of those next couple that we could assume, and then maybe for the first one that you expect imminent, any kind of sizing you can kind of give a sense for in terms of lives covered, or at least members within the plan so we can kind of think about penetration rates, etc.?

Rick Anderson

In terms of the others that are in late-stage discussions, they are both in contracting. We have a couple of others that we're in discussions with finalizing terms, so I would say we've got a couple that are terms agreed to. One's probably a little bit further ahead than the other just in terms of where we are in trading contract drafts back and forth, but that's about where I would say that those are, so that's why we feel confident that we will see more health plans in this year.

In terms of the one that's coming, we'll have more information when we announce it, but it is a large, regional plan. It is in one of their lines of business, and happy to give a little bit more detail after we announce it.

Charles Rhyee

Okay, appreciate that, and then earlier you talked about a number of direct employer wins and being on a competitive field here. What were some of the key metrics that clients were pointing out in selecting Dario over other solutions?

Rick Anderson

As you can imagine, that's something that we have a high level of interest in and are continuing to get feedback on, but the primary things that we're seeing that folks are responding to are, one is the breadth of the platform that we have. Two is the direct-to-consumer experience that we have, and people feel confident that we'll be able to get the engagement of the members and the members will be happy with what we're doing, and I think just as a general bucket, the third—and I can go into more detail, but I think that the third is really more the way that we've structured our arrangements, as we talked about several times in the past, billing through engaged members. I think that there is a growing understanding in the industry that there's a lot of people that are not necessarily engaged that are getting billed for by some of our competitors, and people are not overly thrilled with that approach.

I guess that's the biggest piece of it, but also our flexible approach and our ability to integrate with other solutions and work within whatever the context is that our customers want. I mean, we are very clear about the fact that we do not define the digital strategies for our customers, whereas others really are much more rigid around the way that they approach that, and I think that we're also seeing the market move to understanding that there's other options in the market, and so it gives them a better ability to assess what really works within the context of their business at this point.

Charles Rhyee

That's helpful, and the last one for me, gross margins, obviously, strong margin performance in the quarter. What should we think about for maybe the remainder of the year? Is this sort of the right level, or should we expect continued improvements as we go through the year? Maybe any kind of comments around Opex? Any kind of big investments that we're going to be putting in? I know we're trying to develop ahead of MSK getting integrated into the platform. Any color on expenses and margins would be great. Thanks.

Erez Raphael

Yes, absolutely.

The MSK will be integrated and launched by the end of the third quarter, and then, also, the behavioral health will be integrated in the fourth quarter, so we are spending some money on R&D in order to make obvious integrations.

In terms of the gross margins, the more positions we add, the more—the higher the percentage of the revenue that is coming from the B2B, and the membership program that we are launching, the higher the gross margins, so I think that we should expect additional improvement this year. I don't know if it's going to happen significant in Q3 or Q4, but we do expect to have better margins. This is something that should give indication of the progress of the initiatives, the strategic initiatives that we have, so this year, we're going to see improvement in the gross margins. Next year, we're going to see a continuous improvement, and we expect, as I stated, that the business should be in the ranges of above 70% gross margins.

I hope that I provided an accurate enough answer.

Charles Rhyee

That's great. Thanks.

Erez Raphael

Thank you, Chuck.

Operator

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

Ben Haynor

Good morning, guys. Thanks for taking the questions.

Just to start off with a couple of housekeeping ones, can you give us the breakdown between the consumer products revenue and then the membership services revenue? Maybe I missed it, but I didn't see it in the table in the 10-Q this quarter.

Erez Raphael

Yes, so overall, if we are looking on the—the total users on the platform is 197,000 users on the platform. The revenues at the moment is—I would break it down like 15%, 17% that is coming from the B2B, what is under considering B2B versus the B2C. We still don't see the full potential of all the accounts that we signed that are getting into implementation, so we expect that, moving forward in Q3 and in Q4, the portion of the B2B is going to go higher.

Ben Haynor

Okay, and then on the B2C, are effectively all those users now just product users? Are they getting subscriptions as well, or not?

Erez Raphael

Yes, so on the B2C, around 50% of the users are under subscriptions, and on the B2B, everyone that is joining as part of the B2B is under subscription, either PMPM or PMPM. The engagement (inaudible) per month or per member per month.

Ben Haynor

Does that get recognized under services revenue, or is that—do the memberships get recognized under product revenue as well?

Zvi Ben-David

We are analyzing it and breaking down to the various components. What we can recognize as product, we recognize upon shipment or delivery, and whatever is their membership is being recognized over the membership period.

Ben Haynor

Okay. Okay, well, I'm just looking at it from the standpoint of you did—at least in the filing it says \$601,000 in service revenue, and if I look back a couple of years, Q3 2019, that was \$624,000. A couple of years ago, it was a third—the services revenue was a third of revenue, and now we're only looking at like 11% of revenue, so I'm just trying to understand how these folks are paying for the product, and what's recurring and what's product, because it looks like it's gone more and more towards product as time's gone on.

Erez Raphael

Yes, so over the years we need to remember that also the B2C revenues were growing as well, and now, when we are implementing the B2B, we're going to see more revenues that is getting from fewer membership, and under the membership, it's going to be less product and more kind of service, so that's something that we're going to see moving forward. Because there is also some kind of movement inside the B2C from selling through Facebook to selling through Amazon, you see, in some cases, that the product is growing, but it's internal shift inside the B2C.

Ben Haynor

Okay, so before too long here, we should start to see the services and the membership revenue start to grow rather than being flat or, I guess, even down like it has been.

Erez Raphael

Yes, that's something that should happen, and if I'm connecting it to Alex's questions about building the momentum and accelerating the momentum, in the next couple of quarters, we should see this product side starting to go higher and much more intensively, yes.

Ben Haynor

Okay, thanks for that, and then just one more kind of housekeeping. You mentioned the 197,000 users. Can you remind us what that's up year-over-year, sequentially? I want to say it was like 185 at the end of Q1, but I—maybe you could refresh my memory there.

Erez Raphael

Yes, I need to refresh my own memory, but I think that at the same time last year, we were somewhere in the ranges of 60,000, so this is where we were. Now we are getting closer to 200,000. I think that, moving forward, if we are looking into the growth of the users versus the growth of the revenues, I think that in terms of percentage the revenues should grow in higher percentage than the growth of the users because the ARPU, the average revenue per user, that we are generating on the B2B side is higher than what we are generating on the B2C side.

I just want to make sure that the audience understand that when we are moving forward, we're going to have a slower growth in the membership and higher growth in the revenue because of the ARPU, the average revenue per user, and this is something that will—that should provide even better indication to investors, because if we're going to have, for example, a health plan for employers that are going to sign up on the full platform, the ARPU of the membership program can go as high as \$90 per member per month, which is something that should spike our revenues even if the number of users are not going in the—growing in the same pace.

Ben Haynor

Okay, that's helpful, and then, lastly for me, I noticed the Upright GO S being launched. Can you talk a little bit more about that product, and I'll jump back in queue? Thanks.

Erez Raphael

Yes, absolutely, so when it comes to MSK, we have two main initiatives. One initiative that we kept under the brand of Upright, we call it Upright GO 2, which is another more advanced version of the posture product, and this is have—this is something that have—it's a smaller product with better capabilities in terms of charging and so on, so from our perspective, it's the next generation of the posture. In parallel, we are having another initiative which is a bigger one which is what we are calling it the Dario Move (phon), which is the MSK full offering that we are launching into the employers' and health plan market, and that's another brand powered by Upright that will be launched by the end of this quarter, so I've seen some questions from investors that approached me and asked about the difference between these two. It's two different products. The first one is more device (inaudible), and the second one is full physical therapy treatment for multiple MSK conditions that we're going to launch for employers by the end of this quarter.

Ben Haynor

Great. Thank you very much.

Operator

Thank you. Our next question comes from David Grossman with Stifel. Please proceed with your question.

David Grossman

Thank you.

Erez, I don't know if I missed this, but could you, perhaps, give us a break out by segment? I know some of the numbers may not be that large at this point, but just the break out between behavioural, MSK, and metabolic.

Erez Raphael

Yes, so let's start from the behavioral. On the behavioral, we ended—we closed the deal very late into the quarter, so I would consider behavioral as part of the revenues for this quarter as something that is close to zero, so whatever you see here, you see coming from MSK and from the metabolic, and at the moment, I would say that the MSK is somewhere in the ranges of 35% to 40% of the revenue, and the rest is for the metabolic.

David Grossman

Got it, and then, obviously, there was a question earlier about just some metrics, and gave us some tools to think about how we model the business going forward. Can you give us any sense of what, at least going into the third quarter, based on all the new contracts, because you did have several announcements in the quarter, in terms of what the run rate of the business looks like, or looked like exiting the quarter?

Erez Raphael

Yes, it's very hard, because we are trying not to guide because we feel that the business need more contracts and more implementation in order to start and build more accurate models. At the same time, we do see a growth into the third quarter, and this growth is mainly from the employers and providers that we signed earlier in Q2 and in Q3, so this is something that will be reflected in Q3. In Q4, we expect to have additional business, including health plans, and this is why we think that in Q4 we're going to see a more significant ramp-up than what we're going to see between Q2 to Q3.

Overall, to Alex's question, the one thing that I can refer to is the consensus that we see from eight or nine analysts that are covering us, and for the full year, the consensus of the analysts is \$22.5 million, which is a number that we feel comfortable with, and we do see that, in most of the models—in all the models, we see a spike in Q4 comparing to Q3, which is also something that makes sense to us, and if I can provide more data points, we have employers that we signed that have a contract size that can be as low as \$100,000, and we had employers that have a contract size that can be as high as \$600,000 and \$700,000. This is the ranges of this account.

Rick mentioned also the partnership with MediOrbis, which is a partnership that helps us bill, where MediOrbis are billing for CPT code of RPM, remote patient monitoring. This is something that might be worth millions of dollars for the Company, so this is an example of something that can be as high as a health plan or multiple health plans, and on health plans, we can see contracts that will be somewhere between \$3 million to \$5 million, and we might have also contracts for the full platform that might be as high as \$50 million or \$25 million, and a lot of the things that we are talking about are getting signed as we are speaking, so you can appreciate the fact that it's very hard to provide accurate guidance on the short term on each and every quarter, but at the same time, we have enough—let's say we have enough revenue engines in order to feel comfortable with the numbers that we see by the analysts across the Street.

David Grossman

Sure. No, that's very helpful.

Let me just maybe ask—just another dimension to that is you talked a lot about the demand for kind of multi condition offerings and just how that's gaining momentum in the marketplace. Can you give us any sense of what—how the ARPU looks across these different types of businesses that you're signing?

Erez Raphael

Yes, so when we were—I mean this is something that appears also on our investors' presentation. I mean the average revenue per user that we are getting on a typical employer or health plan is for single condition, \$60 per member per month, okay. This is something that that's the number that exists, and we had at the beginning, when we added more conditions, we added another \$10 for every co-morbidity, and now when we have the full integrated platform, we feel that we can be more competitive, and we are creating bundles with our clients, and at this point, I don't want to disclose the exact bundles because of competition elements, but in general, we are creating bundles that we are selling for the full platform, and this is something that is obviously above \$60 or \$70 per member per month, but under this bundle, a plan or an employer that is going to embark on the full suite is going to get, for one price, all the conditions, and that's something that resonates very well.

To your point, the whole idea—and if you think about the digital health market and you think about employers and health plans, specifically employers that are getting a lot of point solutions and every point solution have its own pricing, and they need to deal with multiple vendors, each of them, they need to hand over eligibility file and then run a billing process, these clients appreciate the fact that they have one vendor under which they are providing one eligibility file, and we are having one process of enrollment on

the multiple conditions. We know how to identify users that have other conditions and enroll them on additional condition, and when they are looking on the pricing, when they are—the clients are looking into the pricing of the full suite, when they are working with Dario, they're going to get a price for the full bundle that is cheaper than what they're going to pay for every condition that is provided by single vendors, and I think that the combination of the easiness of the operation and the pricing and the return on investment that we know how to show from tens of thousands of users that are coming mainly on the metabolic side, all these elements together makes this whole idea of best of suite and bundle makes a lot of sense for our clients, and this is something that helped us convert a significant portion of our pipeline into selling the full suite.

Is it something that provide you the answer, David?

David Grossman

Yes. No, thank you very much for that, and just one last question; you announced this relationship with Workplace Options during the quarter. Could you perhaps give us a little more detail on exactly the mechanics of that relationship and kind of how you hope to see that relationship evolve?

Rick Anderson

Workplace Options is a partnership that we're utilizing with the behavioral health offering. As you will probably recall, wayForward's core offering is around an AI-based screening mechanism to assign folks into one of sort of three generalized areas. I mean, obviously, it works a little bit differently at the user level, but that would be—CBT that's provided on a self-help basis would be one. Second would be coaching combined with that CBT modules, and the third would be reference—or referral, excuse me, to a network provider.

In most cases, we are working with the network providers that the customer has, so it actually works well in a lot of situations, especially health plans because you're not disrupting the network that's already there, which is key from a quality (inaudible) sort of approach, and oftentimes, there's existing relationships, so what that means is wayForward can integrate with any other telehealth or physical provider network that's out there, so if an employer, for example, uses Teledoc or another telehealth provider, we can integrate directly with those. However, in some cases, folks are looking for us to bring a provider network to the table, so one of the primary things for the WPO offering is to bring that provider network to the table. The other piece of that is the ability to supply EAP-like services so that we can offer a completely integrated solution that essentially goes from EAP all the way through a provider network if required, or we can scale that back based on what provider needs are.

The other thing that WPO gives us which has been important in the last quarter, I would say, is that it gives us the ability to work on a worldwide basis, so it gives us the ability to compete for RFPs for employers that are looking for behavioral health services that are somewhat consistent delivered, not only in the U.S., but in other countries. As you know, Dario has the capability, wayForward has capability to work internationally, and globally, for that matter, in a number of different languages, in a number of different jurisdictions, and WPO offers our ability to provide provider services actually in those jurisdictions as well, so those are the primary reasons for that transaction.

David Grossman

Great. Thanks very much.

Rick Anderson

Yes.

Operator

Thank you. Our next question comes from Ted Yu with Zacks SCR. Please proceed with your question.

Ted Yu

Hi, Erez, Zvi, and Rick. Thanks for taking my question. Sitting in for John Vandermosten this morning.

To kind of piggyback on earlier question on expense, what's the current state of your sales force, and do you anticipate any changes to sales expense through 2022?

Erez Raphael

Yes, so thanks for the question.

The size of the team—I mean, for those that are following the Company know that once we announced from the transformation into the B2B, we—I mean, we were going intensively in terms of the size of the team, so we started 2020 as low as three or four employees when Rick joined. Today, we have, purely on sales, including the acquisitions, we have 16 sales representatives, and overall, the number of employees that we are considering them commercial, including marketing, sales enablement, sales support and so on, we are having somewhere around 42 or 45 employees. We do expect that into next year we're going to see a shift and into spending more into the commercial that is more B2B oriented than B2C oriented, and we expect that the team is going to grow.

Overall, as I stated, the average revenue that we are getting per user for the bundle that is being bought by employers or health plans is much higher than what we are generating on the B2C, so we're going to see a shift of budget and we're going to see a continuous growth of the team into 2022.

Ted Yu

Okay. Thank you, and shifting gears, earlier, you made a comment on Amazon and Facebook. Your direct-to-customer channel has served as like a test-bed for you since the beginning. Any updates on the direct-to-consumer channel, and do you see continued investment in this channel, and will it continue to serve as kind of feedback from the user perspective?

Erez Raphael

Yes, so I think that if you think about the philosophy of the Company—and by the way, that's also the philosophy of the industry, the industry of healthcare is talking about consumerization of health, getting solutions that are much more user-centric. Ninety-nine percent of the companies out there that are talking about consumerization of health are still building solutions that are very healthcare provider-centric and not patient-centric, so it's easy to say and much more complicated to implement, and one of the things that we are very proud of, and this is also where clients are very satisfied with, and this is one of the reasons why they are signing with us, is the fact that we are extremely consumer-centric, so for us, getting our solutions into the hands of the users and on the consumer market, dealing with the feedback, dealing with the complaints when there are complaints and improving, this is part of the philosophy of the Company.

I think that into the future, we're going to see this channel keep operating, but based on the optimization between how good we want the product to be versus how we can get our financial profile to be more and

more healthy and good, this is where we will have to make the right balance, so to your first question, we're going to see budget moving from B2C into B2B.

To your second question, B2C is here to stay, at least for the next few years, where we are still working very hard on establishing the DNA of this Company that is, by nature, consumer-centric, so Rick always is telling me that few years ago, plans didn't used to look into how users are being engaged and what is the retention level and the engagement level, and today they are looking into this kind of parameters. Dario, without being a consumer-centric company and B2C first, we wouldn't be today in a place where we could sell into the health plan. This is why we're going to keep operate with this channel, so we're going to keep the DNA of the Company as consumer-centric.

Ted Yu

Wonderful. Thank you, and as the final question, and as kind of a follow-on, not for your consumer customers, but for your business customers who are obviously satisfied with the solution and referring new business, are there some metrics that they're using internally that kind of informed—that were helped to inform them the efficacy and the success of implementing your solution that's driving the satisfaction?

Rick Anderson

That's an excellent question.

I think that there's really a few different phases as we continue to expand, and this would be true of any customer as we go forward as well. Some of the very early things that folks look at are how easy are we to work with? How easy is it to implement the solution, and several of our customers have a look at that at this point, and then they start to look at things like how much do people use it? How engaged are they? Are they getting the data that they anticipated being able to get, and I think that's really the stage that we're at at this point versus true clinical outcomes. Although they're starting to see some, there's usually not enough, I would say, generally speaking, for folks to be looking at that at this point, but what they're seeing is the pattern that we have outlined for them in terms of based on our past experience, about the way that things would proceed, that they're on those pathways, and that the ability to work with us and the way that their patients and/or employees/members are liking the solution is a lot of what their current satisfaction is based on.

Ted Yu

That's great to hear. That's it for me. Thank you so much, and congrats on a good quarter.

Erez Raphael

Thank you so much.

Operator

Thank you. There are no further questions at this time. I would like to turn the floor back over to Management for any closing comments.

Erez Raphael

Thank you so much. Thanks, everyone, for joining our call, and looking—have a good day, and looking forward to seeing you on our next earnings day. Thanks. Bye-bye.

Operator

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