Acquision of Twill Inc by DarioHealth Conference Call

Company Participants

- Erez Raphael, Chief Executive Officer
- Ofer Leidner, Co-Founder and President
- Rick Anderson, President
- Tomer Ben-Kiki, Co-Founder and Chief Executive Officer

Other Participants

- Ashok Kumar, ThinkEquity
- Ben Haynor, A.G.P
- Charles Rhyee, TD Cowen
- David Grossman, Stifel

Presentation

Operator

Good morning, everyone, and thank you for joining us today for the Dario Conference Call to discuss the financing and acquisition of Twill. Before we begin, during today's call, we may make forward-looking statements. Actual events or results may differ materially from those projected as a result of changing market trends, reduced demand, or the competitive nature of DarioHealth's industry.

Such forward-looking statements and their implications may 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 we discussed DarioHealth's growth potential and return on investment, the potential market opportunity, the potential benefits of its acquisition of Twill, and its potential contract value and revenue, we are using forward-looking statements.

The forward-looking statements discussed today are subject to other risks and uncertainties, including those discussed in the risk factors section and elsewhere in the company's annual report on Form 10-K and quarterly report on Form 10-Q for the third quarter of 2023, as well as its filings with the Securities and Exchange Commissions, or 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 press release issued this morning and in the company's other filings with the SEC.

I will now hand the call over to Erez Raphael, Chief Executive Officer of DarioHealth, and he'll be joined by Rick Anderson, President at DarioHealth, along with Twill Co-Founders, Tomer Ben-Kiki and Ofer Leidner. Please go ahead, Erez.

Erez Raphael {BIO 18255240 <GO>}

Thank you so much, and good morning, everyone. And thanks for joining our call this morning. We are very, very excited announcing the acquisition of Twill and also a $22.4 million private placement that we concluded. This acquisition is truly transformative for DarioHealth. And we believe that we are creating together the most disruptive digital health platform in the world.

We're also changing drastically our financial profile. We're almost doubling the revenue of the integrated company and create immediate scale with a very large clients and very big names of health plans and employers that are going to join the integrated platform. We also expand our client base in terms of pharma companies on top of the agreement that we already have with Sanofi. We also expect that by making this acquisition, our path to profitability is going to accelerate and we're going to get there faster with a lower revenue that is needed in order to reach this goal.

For those that are following the company and listening to our earning call, you probably heard Rick and myself talking about how -- what's going to be next and how we want to expand the platform. And we were talking about two main elements. One was a deeper solution in the wellbeing and the behavioral health. And the other part that we were talking about is navigation and taking control on the top of the funnel when we are sending our offering to employers and health plans.

We know that the market is getting consolidated. We know what our clients want and we knew that they want a solution that is much more comprehensive with the ability to navigate and enroll more members. And with the acquisition of Twill, we got all the pieces that were missing in our platform. We got one of the most comprehensive behavioral health platform in the world. Tomer and Ofer are going to elaborate about it shortly. And we also got the Twill Care which is a very strong technology that helps us also taking over the top of the funnel and help navigating members to the platform in the most effective way.

And when we are looking on the overall synergies of M&A in general, in this specific acquisition, we are checking all the boxes of the synergies. We have a very high synergy in terms of the product offering as I just explained. We also have a very high synergy in terms of the channel under which we are selling into. We are selling exactly to the same channel, and we are not overlapping in terms of the overall clients that we have.

And we also improving the economic profile of our clients. We can generate more revenue per clients. And last, we are also synergetic from an organ operations standpoint. Overall, we think that we can have 30% more efficiencies with immediate savings in the first year for the acquisition.

From a financial profile perspective, as I mentioned, it's almost doubling our revenue. The gross margins of the integrated entity should be in the ranges of the 85% that will bring more than 90% gross margins to the integrated entity.

On the OpEx synergies, 30% within the next two years, path to profitability is accelerated and we want to be the second half of next year. So, we see here a very loud synergies from an OpEx perspective, from a client perspective, from an offering perspective, and also from a client economic perspective. We expect to generate multiple folds in terms of revenues for every client that we are winning.

I would like to invite Rick to talk about the commercial opportunities that we have on a combined base of Dario's and Twill.

Rick Anderson {BIO 7364236 <GO>}

Thanks, Erez. The addition of Twill adds several world class customers to Dario. The combined entity will now have three of the largest national health plans as customers, and it adds some of the largest tech companies in the world, including Google, Amazon, and Microsoft to our customer list. It also expands our pharma business substantially with numerous customers, including Merck, Eli Lilly amongst others.

And while we are selling in the same markets, we have no customer overlap, which creates a great cross-selling opportunity that will begin immediately. And we believe the combined product is consistent with the customer demand for more conditions and less vendors, as we've talked about frequently, and also creates opportunities to improve client economics, such as win rate, increased enrollment, increased engagement, and increased revenue per member.

We have already communicated with some of our largest clients, and they have seen and are very interested in the opportunities that this transaction will provide for them as we look forward to the future. We're very excited about what we'll be able to do with this combined customer base.

With that, I'd like to turn it over to Tomer and Ofer.

Tomer Ben-Kiki {BIO 16595350 <GO>}

Great. Thank you, Rick. Hello, everyone. This is Tomer Ben-Kiki. I'd love to share a bit more context about Twill. Ofer Leidner and I co-founded Twill, and Happify over 10 years ago with a mission to create patient-led, digital first experiences that deliver care in the modern healthcare era. In a nutshell, it will offer patients workflows that are uniquely connected and designed to simplify care delivery.

For those who need self-guided care, it will offer a digital solution that's optimized for mental health and resiliency with culturally adapted programs in 10 different languages. Like Dario, we've been operating in the digital health space for over a decade, and there are quite a few similarities in the core approach and mindset of the two companies.

First and foremost, consumer centricity. We believe from the inception of Twill that the key to delivering outcomes in digital health revolves around finding individuals and engaging them in a manner that is on par with what people expect when interacting with modern digital experiences in any other domain, be it financial services, e-commerce, or even entertainment and social media.

Our products have been used by over four million users and deliver industry-leading engagement, retention, and outcome levels. In addition, both companies target predominantly the same clients and distribution channels, as you heard, with payers, employers, and working closely with benefit consultants. Twill's client base includes marquee names, like the ones Rick had mentioned, Amazon, Microsoft, and Google, as well as C9 Elephants on the payer side. That opens, given the low overlap of actual logos, this opens up pretty significant upsell and cross-sell opportunities.

Our clinical grade platform now serves over 18 million members globally and delivers connected experiences that bring together several clinically validated modalities, all centered around psychosocial well-being, community, education, and coaching. Our platform also has an open architecture approach, which offers the ability to seamlessly integrate and guide individuals to additional services.

This could include connection to client-sponsored services, such as member portals, access to supplemental benefits, and more, all from a single access point. And that's a major differentiator for us. So the combined company will therefore offer a one-of-a-kind and end-to-end digital health solution on a single platform that covers the costliest conditions that are top of mind for our buyers. Twill's leadership is therefore very excited to join forces with Erez and his team to bring this vision to life. Thank you. Back to Erez.

Erez Raphael {BIO 18255240 <GO>}

Thank you, Tomer. So, I want to talk about the other side of the deal, which is the pipe, the private placement that we concluded and raised more than $22 million. This is something that we worked in parallel to working on this acquisition. And it was very important for us to get the feedback of investors. We took investors over the wall when we were sharing the idea of the Twill acquisition, the synergies.

We worked together as a team, Tom, Ofer, Rick, and myself, in order to describe the story to investors. And we are very proud that with our existing shareholder base plus new shareholders that like the story, we managed to raise more than $22 million in order to make sure that we have the runway into the second half of next year to make sure that we can take the business to profitability.

Overall, we managed to get good names that are supporting this transaction. And I think that this is something that should provide investors, the investors' community, the indication that this transaction is also supported by the market. Along the whole process, we worked very closely with the Twill team, Ofer, Tomer, and the rest of the team, in order to conclude the transaction, and also in order to design how the integrated company is going to look like. And Tomer and Ofer are going to take key positions in the organization and under the -- and also under the executives at Twill.

So, the idea is to work together and make sure that this merge or acquisition is going to be successful first of all, from a client perspective, we want to sell more together and we think we can sell more together. Actually, we already have a couple of clients that are over the wall and understand what we have built together, what we're going to build together, and we already get positive feedback.

And we want to make sure that also the organization is going to function very well together. And we think that with the different personalities that we have here and along the last few months that we work together, we are confident that this M&A is going to be successful and will create value to our shareholders.

With that, I want to hand over the call to the operator for a Q&A session.

Questions And Answers

Operator

(Question And Answer)

Great. Thank you, Erez. So, at this time, we'll be conducting a question-and-answer session with our speakers. (Operator Instructions)

So, our first question comes from Charles Rhyee at Cowen. Please go ahead, Charles.

Q - Charles Rhyee {BIO 6968091 <GO>}

Yes. Thanks for taking the questions and congrats on the merger here. We'd love to start maybe, Erez and Tomer, maybe talk about sort of how the timeline of this combination started, what kind of triggered the discussions, and I guess related to that, maybe talk about sort of what the competitive or sort of the current landscape looks like for either both the employer and the payer's markets as it relates to digital health. I know it's been, in some ways, a challenging period over the last couple of years as we exited COVID, and I'm just curious what you're seeing in the market today and how that kind of led you to make the decision that combining would be a better path forward.

A - Erez Raphael {BIO 18255240 <GO>}

Yes. So, I'm going to start with the first question. So, the process started like four, five months ago, and Twill made a strategic decision that emerged is something that they are looking for given the market circumstances and the capital circumstances and also the demand in the market, and it really went on a formal process with a banker, with Cowen, and Dario was one of the companies that were exploring the option and after a long process, it was a process between us and the management team as well as the Board of Directors of Twill and Dario as well as the shareholder base of Twill and then we eventually managed to structure a deal.

It was not easy given a lot of circumstances on the financial side, but eventually, I think that it's a classic example where you have a common goal and a common objective and a common understanding of the channel and the market and what the clients are looking for. We build the confidence that this is what needs to be done. We also talk with some of the clients and the partners that we have, and we go to the conclusion that the idea is super good.

And the other question about the market and the demand out there, we are talking a lot about consolidation. We think that it's a necessity specifically in this market because, number one, the average employer cannot keep adopting between 10 to 15 vendors. And number two, we have seen companies in digital health that manage to scale, but the financial profile is very, very, very problematic. And I think that the investors, to some extent, and if we're looking into the EDOC ETF or whatever, we see that the valuation of virtual healthcare is not that high.

We think that there is a lot of business there. We think that the market is going to be revolutionized, but we think also that we need to show a very, very, very strong financial offering. So, scaling revenues like other companies to $300 million and losing $150 million, that's not what the market is looking for. The market is looking for companies that will create a very efficient financial profile with a path to profitability that is very clear. We know that selling to employers on health plans is very long and very expensive. But once we are doing that, we need to make sure that we are providing as many services as possible in the most integrated way and the most digital way, so we can create a real strong financial profile.

And this is what we are doing here. And as soon as we understood on an integrated base that this is something that we can do together, because we are coming from the same mentality of consumer first, because we see B2C as a crucial part in order to build technology. And we've seen other companies that started as a prescribed digital therapeutics. We don't believe in this path. We believe that consumer first is the path. And you don't have too many companies out there that started as a direct-to-consumer first, that build the real digital solution, that have real capabilities to scale up in a digital way.

And by selling multi-condition, even improving the financial profile more, and build a profitable business. And this is what we thought we can do together between Twill and Dario. And this is what led us to execute on this deal, despite tons of challenges and impediments along the way. It was not an easy deal to get this through.

Q - Charles Rhyee {BIO 6968091 <GO>}

Ofer, maybe you want to expand on the Twill site.

A - Ofer Leidner

Yes. I'm happy to do it. Good morning, Charles. As we look at the competitive landscape in the market, as the market moves from, call it pre-COVID, COVID themes into the next generation, we see three things that have been a repeating ask from clients across the channels that we're selling to.

First question, are you engaging in a unique way? Can you help me engage more people? We do know that engagement in the digital health has been a consistent problem.

Second question. Can you help us organize the point solution environment that we've created, the mess that we've created with too many point solutions that are connected, aren't personalized for the unique individual journey. Can you help us organize that into an ecosystem?

Third, do you have a clinical model that leverage software so that you can actually scale and drive clinical efficiency?

When we built the Twill platform, we actually came with three of those answers to the market with a unique and differentiated platform, the engagement platform, connectivity, open API, all of those concepts, and then the clinical model on behavioral health, which drives self-care with efficacy. The opportunity to take that approach and come with that unique model and then apply it into more conditions is something we found to be very appealing in conversation that we already had with some of our clients.

They bought into the vision of the platform, and then they say, what else can you do? Can you help me solve for other conditions? So, we think that there is an opportunity in the next iteration of platforms that would really solve for the three key questions that clients are trying to solve for, and that would be the path for this category in industry to move forward, we believe. The combination of these two companies, I think, drive both unique platform play as well as horizontal conditions. And that is, I think, what we've heard again and again from clients, solve more with less vendors is a theme that we're seeing in the market.

Q - Charles Rhyee {BIO 6968091 <GO>}

That's helpful. And maybe, Tomer, if I could just continue with you for a second. Erez mentioned that you guys had started a process. What was it about, in looking at potential options, where you felt that Dario was the best strategic fit for Twill? What was attractive about it? What do you think that they can offer that other potential partners, you think, lacked?

A - Tomer Ben-Kiki {BIO 16595350 <GO>}

Well, I can speak for what we found. We think that there's a very strong compatibility in the DNA of those two companies, first and foremost. We can't speak enough about the consumer centricity as a theme in digital healthcare, the level of engagement and sustained retention that we've built over the years at Twill. We saw the same DNA with how Dario thinks about designing products and offers, so that's one.

The second thing is the similarity between channels that we are selling to, we really thought that, surprisingly, because we started our journey through behavioral health, Dario began their journey through the metabolic, we have a lot of similar channels that we're selling to, but no client overlaps.

Put these two together, we can actually cross-sell immediately between clients that need solutions that are more integrated on a single platform. The third thing that we saw, we do think that there's a lot of upside if this combined organization execute the way we plan to execute over the next few years. I think there's a lot of opportunity and an upside in the current story. So, that's kind of what attracted us to this particular combination.

Q - Charles Rhyee {BIO 6968091 <GO>}

That's helpful. And I can just ask one more question. Maybe for Rick, if we think about something like the Aetna partnership, are there any kind of clauses within that agreement? And maybe this also goes to some of Twill's agreements that allows for earlier integration of some of the combined capabilities. Does that allow for a step up in revenue potentially for the company? What's the process? Or is that a whole new kind of RFP that needs to go through? And then a modeling question, what is sort of the current sort of burn rate for the combined entity? Thanks.

A - Rick Anderson {BIO 7364236 <GO>}

Yes. So on the question of being able essentially to cross sell into to Aetna or other customers, I think -- I don't think that will generate new RFPs. I think you already saw at the end of last year that we want a piece of business from Aetna that wasn't on an RFP, but basically took that away from Teladoc and their myStrength platform. And we are integrating that piece into the current Mind Companion platform.

So, based on the conversations we've had with them, I think what we'll see is the ability, and we have to work through this with them in terms of what they want to do and how they want to do it, but what we'll have is the ability to give them more capabilities within that platform. And I think that is something that is well received by them from a behavioral health component on that side. I think that we also think about this really through the chronic condition, lens as well. And I think that that will play well with our other partners based on the conversations that we've had.

So, I would think about it as the ability to provide more capabilities and the ability to also increase our revenues, we talked about. We believe this will increase win rates, but really also give us the ability to increase engagement. And any increase in engagement goes directly to our top line, as well as increase enrollment and the revenue that we get per customer and per member.

So, I think that this gives our customers a lot of capabilities. I don't think that it will require RFPs in all cases, or in many cases, but we think we'll win more RFPs as well.

And Erez, you want to take the combined burn rate question?

A - Erez Raphael {BIO 18255240 <GO>}

Yes, in terms of the financial profile of the integrated entity, as we mentioned, a lot of synergies that we're going to leverage on. Dario on a standalone base did a lot of activities in order to take the OpEx down post moving of the business from B2C to B2B. And we are on a standalone OpEx. We reduced our OpEx by around 15% between 2023 to 2024.

Twill, we're going through the same process. So, on an integrated base plus synergies, we think that the integrated entity is going to lose, the operating loss is going to be between in the ranges of $22 million for this year. That's the plan. And with the cash that we have in the bank plus the $22.4 million that we raised, we feel very, very confident that we have the cash to go deeply into the end of next year and potentially to profitability. That's going to be the goal.

Q - Charles Rhyee {BIO 6968091 <GO>}

Great. Appreciate it. And thanks for taking the questions.

Operator

Thanks for the question, Charles. Our next question comes from David Grossman at Stifel. Please go ahead, David. David, you may be on mute.

Q - David Grossman {BIO 1501443 <GO>}

Good morning. Thank you for taking the questions. So you mentioned a couple of times member engagement and recognizing that that's been a challenge for the industry for several years. So, maybe you could just take a few minutes to talk about how the two of you on a combined basis feel that the combined entity kind of better solves for that issue and how you expect to go about driving better member engagement, particularly in the enterprise market.

A - Erez Raphael {BIO 18255240 <GO>}

Yes, absolutely. So first of all, we are talking about two types of conditions and it's also two types of business models. In order to get the numbers and if you're familiar with the flow and I'm going to repeat it to make sure and this is also something that appeared in our presentation. In order to optimize the revenue per client, we need to make sure that number one we have more eligible members, it means that we are serving as many conditions as possible.

Number two, we need to optimize the enrollment rate. And number three is the point that you mentioned David about the member engagement. So, these three parameters will eventually define the revenues that the company is created -- is creating.

So, Dario that is -- that started as a metabolic and the metabolic is the majority of our platform. On the metabolic side we are getting paid per engagement per month. It means that every member that is on the platform we are getting paid between $60 to $90 per member per month. And as long as we are retaining the users, we keep generating this revenue.

On the Twill side, which is more episodic condition, in most of the cases, Twill are getting paid by, if you can mute yourself, Ashok. They are getting mainly per member per month. It means that those that have access to the platform are getting paid.

So, there are a few fundamental elements on the way that platforms have been built. Both platforms have been built first in the consumer market and we were getting paid out of pocket. So in order to get the revenues, we had to create the best engagement. We think that on a combined base, we're going to optimize the whole three parameters.

Parameter number one is that we're going to have more eligible members that are going to be able to get one or more of the conditions, that's number one. Number two is related to our ability to enroll members. For those clients that will buy the integrated offering, we think that the Twill Care platform that have the top of the funnel capabilities will improve our enrollment rate. And at the moment, we are enrolling on the enterprise side 35% of the members. We think that there is a room for improvement here and we can enroll more if members are going to go on the well-being platform of Twill and then go to Dario.

And number three. If we have members that are utilizing Twill or Dario, we believe that eventually on an integrated way, we'll be able to retain members on the metabolic side for a longer period of time, because we're going to have access to them from multiple applications. So, that's the plan that we have in order to keep improving the level of engagement.

I think that if we are looking into the overall revenues and how we can scale up revenues, I think that between the three parameters, parameter number one and two are going to make the most difference in the short and the medium term. And obviously parameter number three, which is the member engagement and the retention, is something that is more like a mid and long term kind of value that we're going to gain here.

Q - David Grossman {BIO 1501443 <GO>}

And you didn't really specifically allude to navigation, although. I think you did mention that in your prepared remarks. And I think there's a notion out there that behavioral becomes a little bit of a front door, or perhaps both offerings do in a sense, since most of the -- many kind of members would have multiple conditions.

So any thoughts on how to enhance the navigation features of the platform? Or do you think that Twill brings to you perhaps some technology that kind of accelerate your ability to offer more navigation-like services?

A - Erez Raphael {BIO 18255240 <GO>}

The short answer is absolutely, but I feel that Ofer and Tomer want to jump in, so I'll give them the opportunity.

A - Ofer Leidner

Yes. I think Erez summed up Twill Care as the front door, but the Twill Care application and service functions on multiple aspects, and one of them is, I would say, initial engagement before care is actually being delivered. It's a process where trust is being built with a member, and then we give them specific medical advice. There are HCPs that are actually going on that platform. There's a lot of content that's personalized. In that process, we're able to gather quite a lot of information about the patient. So some members just join and immediately get funneled to the right modality of care.

Other people who are kind of the ones who don't necessarily raise their hands might take longer, but the short answer is that we have capabilities of, I would say, extracting information about members in a way that's very organic to the process and then applying all kinds of be it machine learning models or clinically supervised models in order to navigate people to the right place. This precision care capability is at the forefront, I would say, of adoption in terms of digital health.

It's one of the places that point solution fatigue really culminates in because the buyers don't necessarily have the clinical know-how or the technological resources in order to put together effective navigation solutions. And if they assign 5 to 10 solutions like Erez mentioned, that becomes a challenging point that is critical, obviously, to overcome. So the value of putting together an effective navigation tool that really maximizes the use of member data is at an all-time high in terms of market demand right now.

A - Tomer Ben-Kiki {BIO 16595350 <GO>}

I'll add to that, David, the way we're thinking and at Twill we've thought for years about engagement is much more of a longitudinal relationship rather than transactional. In the digital health industry, there's been a lot of discussion about whether or not waiting for the members to raise their hands inside the employer portal or the ERP is the right approach. We've taken a very different approach and said we need to engage people on something that serves as a hook for them to start engaging in their healthcare journey.

And as they build trust in the platform, as we learn more about them, we'll find a time and a moment whereby they are in need for specific therapies or solutions that we can provide them with the care.

So, Twill Care is that platform that ultimately engages people and keep them for a very long period of time. Our kind of claim for fame as a company has always been our sustained retention. We're keeping people cohort months '24, people that have been on our platform for two years at a 26% retention rate. And we think that that ability to retain people on top of funnel and identify when is the right time that they need the service, when they're engaging, and push them downstream into the care that they need is the key to essentially enroll more people in.

It's not a secret that there's been a lot of attempts on companies trying to drive metabolic solutions to end behavioral health solutions. We have a slightly different take. When you engage with people around their mental health and emotional well-being, you learn a lot about them. And we've seen through our data that 30%, 40% of our people have metabolic conditions, that they are candidates to the services that Dario offers.

So, if you combine those two approaches, top of funnel engagement, longitudinal relationship with those users, finding the right time to involve them into the program, we think that we can increase the number of people that are funneled into Dario programs, as well as our behavioral health program. But that's the approach. We really think that engagement is a key to crack in this industry for that industry to work and to have any impact on a large number and scale.

Q - David Grossman {BIO 1501443 <GO>}

Right. Actually, thanks very much for this. Did you just say that 36% of your members have a metabolic condition? Did I hear that right?

A - Tomer Ben-Kiki {BIO 16595350 <GO>}

Yes. They're coming for mental health and behavioral emotional health. And as we understand what their profile, we've seen over the years that many of them are dealing with emotional health challenges because they are going through a chronic condition challenge. So, that is something that allows us to funnel them into more precise condition support that they need.

On a standalone basis, we'll had only the emotional behavioral health. In the combined entity, we now have six conditions that we can support and be more solution oriented for those members.

Q - David Grossman {BIO 1501443 <GO>}

Right. And then just one other question I wanted to ask was just, for both of you about what the combined offering looks like to the pharmaceutical industry. And maybe you can talk about combined revenue, what pharma will represent as a percentage of revenue.

And specifically, as you think about the combined entity, what each of you are providing in terms of services and data and how the integrated company enhances that value proposition.

A - Erez Raphael {BIO 18255240 <GO>}

So, maybe I'll start with the revenues and then we're going to talk about the offering. So in terms of revenues, I would say that we are somewhere between 22% to 27% of the integrated revenue is coming from a pharma companies. There are some -- I mean, we already in some discussions and we already know that we have an opportunity with pharma companies supporting them with the integrated offering.

Dario is more like a platform that is mainly on the metabolic side. We were supporting the pharma in elements that related to data and clinical outcome and this is something that strategically made sense to clients like Sanofi, leveraging on the platform to manage lives of people that have the metabolic diseases. On the Twill side, it's more on the commercial side and maybe also, Tomer, if you want to jump in and describe your offering to the pharma.

A - Tomer Ben-Kiki {BIO 16595350 <GO>}

Yes. I'm happy to do it. So on the pharma side, our approach has always been to support members that are on a journey with a drug therapy, whether they're pre-prescription or post-prescription and provide them the emotional health support. So we have created programs that pharma companies are licensing software from us to support patients and improve two things that pharma companies care about, adherence by supporting people in the emotional health side. We do know that people tend to stick longer on and comply to their therapy.

We've demonstrated multiple times across conditions like MS, oncology, pain, and that's the type of work that we're doing. I think that we are going to continue and support the pharma clients that we have and just be able to drive more condition support based on the multiple conditions that Dario brings to the table.

One, that I'm particularly excited about, I think there's an interesting opportunity around GLP-1. With pharma companies, we have clients that are some of the leading therapy providers for those categories. And I do think that there's an opportunity to provide the entire platform experience, engagement, journey, support, and clinical support on that platform for patients with those drug therapies.

Q - David Grossman {BIO 1501443 <GO>}

So they license your platform as a PSP, is that it?

A - Tomer Ben-Kiki {BIO 16595350 <GO>}

So, they license our platform on a PSP or on the commercial side. We were able on a Twill side to demonstrate the commercial value for the platform in driving adherence, in identifying patients that are more likely to need a certain therapy. Again, because we engage people for a long period of time, top of funnel, because we understand where they are in their journey, we can actually predict pretty accurately the path that people are going down towards and then identify a certain type of education, certain type of clinical support that they need. That is licensed in times through the commercial organization and in time through the PSP.

Q - David Grossman {BIO 1501443 <GO>}

All right, great. Thanks very much and good luck.

A - Erez Raphael {BIO 18255240 <GO>}

Thanks, David.

Operator

Thanks for the questions, David. Our next question comes from Ashok Kumar, ThinkEquity. Ashok, please unmute your line. (Operator Instructions)

Q - Ashok Kumar {BIO 15819291 <GO>}

Oh, great. Can you hear me?

Operator

Yes, we can.

Q - Ashok Kumar {BIO 15819291 <GO>}

Yes, four questions. The first one, I think these questions might overlap, but you can answer them in the order that you desire. The integrated value, company value proposition, right, in terms of comparative positioning, how does it change? And can you briefly address in terms of conditions and technology platform capability, right? So could you flesh that out?

And earlier, the second question is the book of business. And you'd mentioned the names of top clients and the employer and health plans, right? So the integrated company, how do you rank order the clients, right?

So, if you can just flesh out the book of business. The third question is the debt issue with Twill, right? So how have you addressed that, I think? So that would be of interest to investors.

And then the last question is just tying it all together in terms of synergies, the transaction price and how does that translate to the synergies, right? You talked about the technology, the finance. If you could also briefly address the executive synergies, right? That could increase the success of this transaction. Thank you.

A - Erez Raphael {BIO 18255240 <GO>}

Thanks, Ashok. Okay. We'll have to allocate the questions one by one. So, I'll start from the one that related to the debt. So, Twill did have some debt on the books and eventually as part of the transaction, Dario is not going to assume any debt to our balance sheet. That's something that is very important to mention. So as part of the transaction, pay the cash and also equity, but we are not assuming any debt to our balance sheet. And so I hope this answer is super clear.

In terms of book of business, Rick, you want to take again, the book of business that at the moment that we'll have?

A - Rick Anderson {BIO 7364236 <GO>}

Sure. I'm not entirely certain I understand the question. But the -- from a book of business perspective, and let me talk about it in a market perspective in general, is we're selling in the same markets, although Twill had much more penetration as Ofer talked about a minute ago. In the pharma business, we were primarily working with Sanofi, exploring and remain exploring a few other opportunities. They have worked with more than a dozen pharmaceutical companies over the years.

I mentioned a couple of the big ones and continue to be working with them. So, I think that that creates additional opportunities for us to expand in that market and we'll explore the joint product offering as we move forward in that. But I think that the companion application, the ability to identify patients, et cetera, all of those things are of interest, increased adherence, obviously, the ability to address GLP-1s, which Dario already has some customers that we're using our platform to be able to do. So, combining that with Twill's capabilities, I think it's going to be really interesting in the marketplace.

We're both selling in the employer and the health plan space. On the employer side, Twill brings some very large customers and one of their strengths is the ability to be able to deliver, and I saw this was another question that was asked elsewhere in terms of geographic footprint, and both of us are primary marketers so our primary market is focused in the U.S., but there is and Twill has the ability and has delivered services internationally as well for U.S. based companies.

So, companies that are originating out of the U.S. delivering services for their worldwide population, I think that's very important for some of the very large employers that are out there. So, they're bringing some jumbo-level customers and, some others combined with Dario's got a larger number of customers, but we're, more in the enterprise and mid-market. So I think it's a good combination from that perspective.

And then on the health plan side, we'll have three of the largest health plans in the nation. And we've talked about this many times is one of the keys with health plans is the ability to land and expand. And that has a lot to do with creating the relationships, the contracting, and a lot of the pieces that go into working with a health plan, making sure that they understand how you handle data that you protect that data and really just getting through the contracting process and the vendor management process with health plan.

So, we're excited about the ability to cross-sell both the Dario products into the current Twill customers and vice versa. I think that our customers are, meaning

Dario's customers or his store customers, are excited about the ability to access some additional pieces here.

And then just really kind of going back to the theme of, or maybe the two themes of the ability to get more services on one platform is definitely a market-moving concept, and it's something that we're going to see become more and more prevalent as we go forward in 2024 and 2025 and beyond, we believe.

And the ability, and I don't want to belabor the point, but the ability to really engage differently with members, I think, is going to be a game-changer as we move towards 2025 as well.

A - Erez Raphael {BIO 18255240 <GO>}

Ashok, thanks Rick. Ashok with regards to the book of business, Rick mentioned earlier in the call specific names. I'm not sure if you captured it. I mentioned on the enterprise side, clients like Google, Amazon, Microsoft, on the health plan side, on an integrated base, we have Aetna, CVS, Cigna and Elevance. So we have a very, very impressive book of business on an integrated base.

Operator

Ashok, you might be on mute. Any further questions?

Q - Ashok Kumar {BIO 15819291 <GO>}

Thank you.

Operator

Great. Thanks for the questions, Ashok. So, our next question comes from Ben Haynor at A.G.P. Please go ahead, Ben.

Q - Ben Haynor {BIO 20687047 <GO>}

Good day, gentlemen, thanks for taking the questions. First off for me, just wondering how Twill's revenue kind of comes in from a mixed standpoint. Is it kind of per user, per engaged user, per account, per project, how does the mix of that kind of stack up?

A - Tomer Ben-Kiki {BIO 16595350 <GO>}

Yes. So, the Twill's primary business model, first of all, about 75% of the revenue comes from population, managed population, so employers and health plans. Those deals are, I would say, a mix of PEPM, as in per employee per month, as well as kind of case rate or per engaged, and it differs by deal, but predominantly, I think as the industry is pushing towards value-based there. There's some balance that is reached between guaranteed revenue based on the volume of the population and actual performance-based revenue models.

Q - Ben Haynor {BIO 20687047 <GO>}

Okay. That's helpful. And are there -- is there a significant component of the revenue that's kind of one-off, maybe projects that may not be quite as recurring as the kind of the per member sort of thing?

A - Tomer Ben-Kiki {BIO 16595350 <GO>}

The overwhelming majority of the revenues comes from repeatable business, over 75%.

Q - Ben Haynor {BIO 20687047 <GO>}

Fair enough. That's helpful. And then just on your website, I think it says 19% activation rate all time on average. Just kind of looking to understand the -- that versus some of the numbers that Dario has put out there I think you mentioned earlier in the call areas, like, 35% of those. With the conditions, you're ultimately able to enroll. Is that the same as kind of that 19% activation rate? Or is that different?

And then also on the retention. I think you mentioned 26%, but I see 31% also out there at 24 months, which is pretty solid. And then Dario, I think you've talked about 70%, 75% at a year, which isn't all that different. But you can kind of help me square those sorts of numbers, are they in the same ballpark, are they apples to apples? What can you help me with there?

A - Tomer Ben-Kiki {BIO 16595350 <GO>}

That's a great question. Helps us maybe clear some potential misunderstanding. So, that was addressing chronic conditions. So the addressable population size is the portion that is suffering from the condition that Dario is treating.

On the tool side, as we look at everything from emotional well-being all the way to actual mental health and behavioral health, our end size is the entire population. So, when we take on, let's say, the same client, when Dario looks at their activation rate, they're looking at it from the addressable condition of people suffering from, let's say, metabolic condition, things like that.

We look in the entire population. So our 20% is based on the entire population set of a given employer or a given health plan. So that's on the activation side.

On the retention side, in a similar manner, Dario has hardware footprint, for example. There's inherent stickiness that comes with management of the symptoms and the condition that Dario is servicing.

In our case, as Rick mentioned before, we have episodic users. We have people who are kind of hand raisers or not, I mean, mental health is still suffering from some stigmas, and it's not necessarily viewed even by the patient himself or herself. It's something that they really need to be taken care of as part of the medical set of services. So we are showing numbers that are north of 25% to 30% after year two.

That is an industry leading number by far. Dario is able to retain 80% of its member base year-over-year. And that's a very impressive number, but I would say the kind of the use case is different, so to speak.

So thanks for the question. It helps clarify the stats mean different things with the different companies.

Q - Ben Haynor {BIO 20687047 <GO>}

No, that makes perfect sense. Thanks for the clarification there. And then lastly for me on the Google, Amazon, Microsoft, are those -- have they all kind of implemented Twill in a similar fashion? Or is that do different accounts have different profiles?

A - Tomer Ben-Kiki {BIO 16595350 <GO>}

Yes. So, I think the -- so Google and Microsoft have been longer standing clients of ours over three years. When we were selling predominantly the enterprise version of our digital therapeutic, at the time, Happify. As we were maturing our solution in, again, similar manner to Dario, Dario expanded their service set by adding more conditions.

Happify then Twill, at our company, we expanded our offering by adding additional components that would move away from a single point solution into a comprehensive end-to-end solution that includes navigation, includes access to coaching, and so forth.

So, Amazon is a good example of the first deployment of a more comprehensive solution. It includes Twill Care, it includes Twill therapeutics, as well as access to coaching. In a sense, it's a showcase or case study for our kind of evolution strategically in offering wider types of solutions.

Q - Ben Haynor {BIO 20687047 <GO>}

Okay. Great. That's all I had, gentlemen. Thanks for the color and answering the questions.

A - Tomer Ben-Kiki {BIO 16595350 <GO>}

Thank you, Ben.

Operator

Thanks for the questions, Ben. So, this concludes the verbal portion of our Q&A. We're now going to go to the written portion from the remainder of the audience. So, we have time for two more questions.

The first question from an audience member. How should we review revenue contribution as a percentage of overall revenue between Dario and Twill?

A - Erez Raphael {BIO 18255240 <GO>}

So this is something that we mentioned in our press release. I mean, Dario have an audited, published the first nine months of 2023. And we reported already $16.7 million for the first nine months of 2023. If we're going to look into the Twill numbers, it's going to be $13.8 million for the first nine months. So, the integrated revenue for the first nine months of Twill and Dario together, it's $30.5 million between January to September.

On an annual base, we are looking into something that is around $40 million revenue for the integrated entity. If we're going to make the calculation, Twill it's going to be 45% of the full revenue of $30.5 million for the first nine months of the year. And I'm going to say that the Twill numbers are not audited. This is a private company. And we will have to do the work, and obviously we did a due diligence, but in order to provide an audited numbers, it's going to go through our whole process with our auditors and so on. But that's the numbers.

Operator

Great. Thank you, Erez. And the final question is, how do you plan to manage the cross-selling between the existing Dario and Twill clients?

A - Rick Anderson {BIO 7364236 <GO>}

So, from that perspective, that process has already started in terms of the fact that both Twill and Dario have communicated with some of their largest customers about the transaction and sort of some of our early thoughts, which have all been well received.

We're also identifying what are the highest opportunities for cross-selling. We're in the process of doing that over the next couple of weeks. And then we will be going to those folks with our ideas around that. But part of this is also, and Ofer mentioned this earlier, is really understanding where they're coming from and trying to solve their problems and how we think we can uniquely do that.

So, it's really a process of identifying the highest opportunities first, going and talking to those folks, and then working our way through the rest of our book of business. And there's different levels and different kinds of customers. Dario has behavioral health only customers as well. That will be handled through our account management process, especially as those customers come into renewal, and look at whether there's the opportunity to move them into different platforms, maybe at different price points, as that market continues to evolve.

Ofer, do you want to add anything to that?

A - Ofer Leidner

I think you covered it, Rick. We think there are immediate opportunities that have been identified, and we're going to pursue them with the interest from clients that we already received.

Operator

Great. Thank you. So this concludes the Q&A session. I'll now turn it back over to Erez for quick closing remarks.

A - Erez Raphael {BIO 18255240 <GO>}

Thank you. So, I would like to thank everyone for joining our call this morning. I would like to to welcome to our team, our new partners, Ofer and Tomer. And we're looking forward to building the most disruptive digital health companies in the market together. Thank you everyone.