

Action Summary – 26 September 2025 – Analyst: Theodore R. O'Neill

- **Company appears to be in play.** On 25 September, the company reported that its Board of Directors has initiated a comprehensive strategic review to maximize shareholder value following multiple unsolicited inbound strategic inquiries from interested parties. The company engaged Perella Weinberg Partners, a leading global independent advisory firm, as financial advisor. A Special Committee will consider a full range of potential opportunities including a sale, merger, strategic business combination, or continued execution of the Company's successful standalone strategy.
- **Company raises additional capital.** On 22 September, the company raised \$17.5MM before fees from the market private placement, which we estimate will add ~\$16.4MM to its cash balances.
- **Estimate revision revised price target.** Following the 25 August 20 for 1 stock split, we are revising our estimates and price target. For 2025, our revenue is unchanged, but our GAAP EPS loss rises to \$11.51 from \$0.73. For 2026, our revenue is unchanged, and our EPS loss estimates are now \$0.79 compared to a loss of \$0.07. Our new price target, based on discounted future earnings, is now \$27.00.
- **Attractive Valuation.** The shares currently trade below our discounted future earnings price target model and below peer averages. If it were to trade at \$27, our target price, its Market Cap/Sales multiple would be ~1.2x, which would be slightly below average. We believe it should trade at a premium to the average because of its high growth profile.

9/25 price: US\$ 13.69	Market cap: \$31M	2026 Mkt. Cap/Sales: 0.43x	2026 EV / Sales: 1.90x
Shares outstanding: 5.4MM	Insider ownership: ~29%	3-mo. avg. trading volume: >100,000	Dividend/Yield: NA/NA

GAAP estimates except Op. Inc. (\$ in millions except EPS)

Period	EPS	Revenue	Non-GAAP Op Inc.
FY23A	<u>(\$41.89)</u>	<u>\$20.4</u>	<u>(\$31.4)</u>
1Q24A	(\$0.20)	\$5.8	(\$9.1)
2Q24A	(\$0.08)	\$6.3	(\$10.7)
3Q24A	(\$0.25)	\$7.4	(\$7.1)
4Q24A	<u>(\$15.02)</u>	<u>\$7.6</u>	<u>(\$6.9)</u>
FY24A	<u>(\$17.43)</u>	<u>\$27.0</u>	<u>(\$33.8)</u>
1Q25A	(\$0.14)	\$6.8	(\$5.8)
2Q25A	(\$0.18)	\$5.4	(\$6.4)
3Q25E	(\$3.13)	\$6.0	(\$5.5)
4Q25E	<u>(\$1.22)</u>	<u>\$7.1</u>	<u>(\$3.6)</u>
FY25E	<u>(\$11.51)</u>	<u>\$25.2</u>	<u>(\$21.2)</u>
1Q26E	(\$1.09)	\$8.2	(\$2.9)
2Q26E	(\$0.61)	\$11.2	(\$0.4)
3Q26E	(\$0.06)	\$14.3	\$2.6
4Q26E	<u>\$0.69</u>	<u>\$20.4</u>	<u>\$8.0</u>
FY26E	<u>(\$0.79)</u>	<u>\$54.1</u>	<u>\$7.2</u>

Note: December ending year. Numbers may not add due to rounding. See our full model at the back of this report.

Cash balance (in \$millions)

• 2023A	• \$37.1
• 2024A	• \$28.6
• 2025E	• \$24.2
• 2026E	• \$27.0

LT Debt (in \$millions)

• 2023A	• \$24.6
• 2024A	• \$23.5
• 2025E	• \$10.0
• 2026E	• \$4.0

Adj. Net Income (in \$millions)

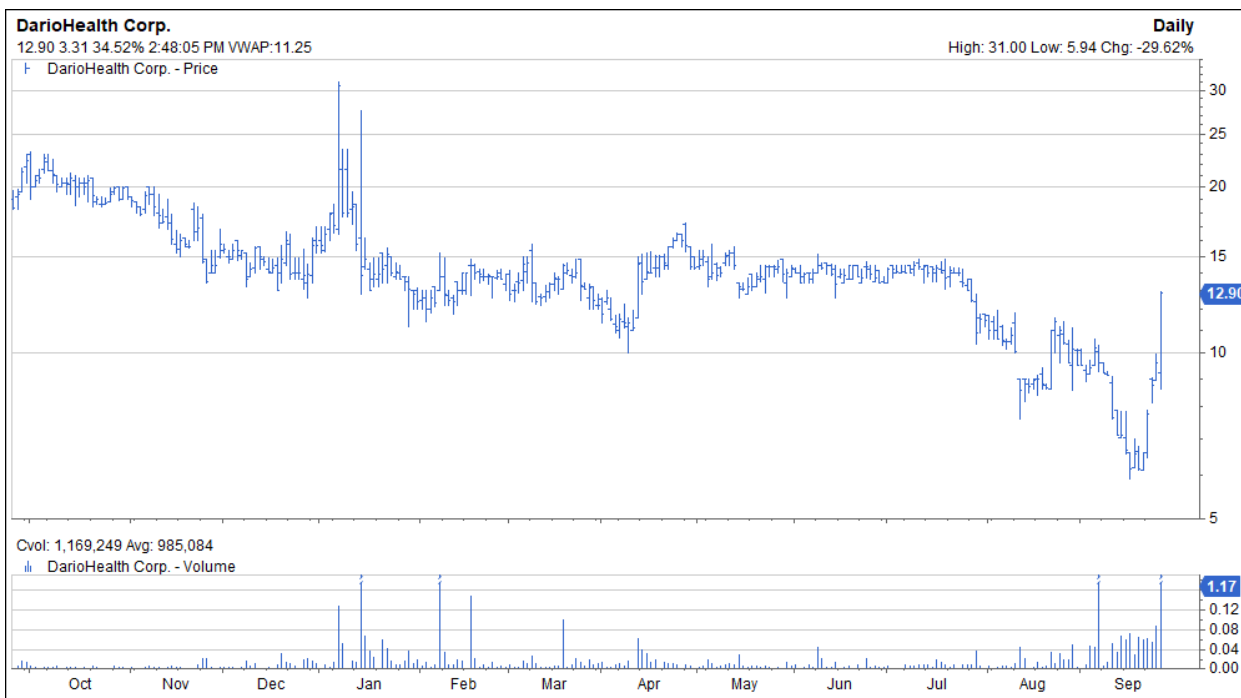
• 2023A	• (\$34.6)
• 2024A	• (\$18.8)
• 2025E	• (\$22.8)
• 2026E	• \$11.2

Risks/Valuation

- Risks include competition, regulatory issues, business execution, and new customer acquisition.
- Our USD\$27.00 target is derived using a discounted future earnings model.

Company description: DarioHealth Corp. is a leading digital health company revolutionizing how people with chronic conditions manage their health through a user-centric, multi-chronic condition digital therapeutics platform. Dario's platform and suite of solutions deliver personalized and dynamic interventions driven by data analytics and one-on-one coaching for diabetes, hypertension, weight management, musculoskeletal pain, and behavioral health. Dario provides its highly user-rated solutions globally to health plans and other payers, self-insured employers, providers of care, and consumers.

Figure 1 – DarioHealth Corp. – One-Year Trading snapshot



Source: FactSet

Valuation Methodology

We believe DRIO is undervalued, and we support that belief with an absolute and relative valuation. To determine our target price, we use a discounted future earnings model. The following valuation techniques are being used:

- 1) The discounted value of all future earnings was used for our price target (see Figure 2)
- 2) Valuation relative to peers (see Figure 3)

Discounted Future Earnings – Basis for Price Target

Our 12-month price target of \$27 is based on a discounted earnings model. For valuation purposes, we sum up all future earnings discounted at 9%, which we feel adequately addresses the risk. We assume the company reaches GAAP breakeven in 4Q26, exhibits strong topline growth for several years and then we slow growth until it eventually grows at the rate of global GDP. Our valuation model is shown in Figure 2 below. Note, this model understates future new products and growth through acquisitions and probably understates the tax benefits, but offsetting that, the earnings never have a down year. The implied share price is \$26.90, which we round to \$27.00.

Figure 2 – DarioHealth Corp. – Price Target Calculation

Implied Value of Future Discounted Earnings: \$26.90		
Year 0 is 2025	Forecast GAAP EPS	Discounted EPS
0	(\$11.51)	(\$11.51)
1	(\$0.79)	(\$0.73)
2	\$1.00	\$0.84
3	\$2.00	\$1.54
4	\$2.50	\$1.77
5	\$3.00	\$1.95
Terminal Value		\$33.03

Source: Litchfield Hills Research LLC

Valuation Relative to Peers

Figure 3 is a summary of our DRIO peer comparison. If it were to trade at \$27, its Market Cap/Sales multiple would be ~1.2x, which would be slightly below average. This broadly confirms our view that, along with our discounted earnings model, the shares are undervalued.

Figure 3 – DarioHealth Corp. – Comp Tables

FactSet Ticker	Company Name	Closing Price	Market Cap \$MM	EV \$MM	2026 Consensus	
					Market Cap / Sales	EV /Sales
RMD-US	Resmed Inc (Ordinary 1:10)	\$274.19	40,145	39,964	6.96	6.93
HIMS-US	Hims & Hers Health, Inc.	\$53.25	12,036	13,336	4.30	4.85
RDNT-US	RadNet Inc.	\$75.54	5,810	6,317	2.69	3.22
INSP-US	Inspire Medical Systems Inc	\$77.83	2,302	2,110	2.22	1.96
HNGE-US	Hinge Health, Inc.	\$54.23	4,254	4,812	6.02	5.69
WGS-US	GeneDx Holdings Corp.	\$114.22	3,281	3,407	6.63	6.83
GDRX-US	GoodRx Holdings, Inc.	\$3.99	1,386	1,649	1.61	1.97
TDOC-US	Teladoc Inc	\$8.40	1,484	1,925	0.56	0.70
EVH-US	Evolent Health Inc.	\$9.61	1,129	2,006	0.44	0.81
OMDA-US	Omada Health, Inc.	\$23.00	1,324	1,339	4.60	3.90
LFMD-US	LifeMD, Inc.	\$6.40	303	392	0.97	0.87
TALK-US	Talkspace, Inc.	\$2.67	447	360	1.62	1.25
MED-US	Medifast Inc	\$13.83	152	6	0.42	
OWLT-US	Owlet Inc.	\$8.55	146	211	1.20	1.26
AMWL-US	American Well Corporation	\$6.27	101	(96)	0.39	
TRUE-CA	Rocket Doctor AI, Inc.	\$0.50	41	43		
AVERAGE					2.41	2.78
DRIO-US	DarioHealth Corp.	\$9.59	23	103	0.43	1.90
DRIO-US Premium/(Discount) to peers:					-82%	-31%

Source: Litchfield Hills Research LLC and FactSet

Financial Estimates and Guidance

The company does not provide financial guidance. Our model assumes that when the company reaches full profitability in 4Q26, the preferred shares will convert, and the share count will reach ~7.2 million.

Calculation of EPS and non-GAAP EPS

The Company computes earnings per share of common and preferred stock using the two-class method. Basic and diluted net earnings or loss per share is computed using the weighted-average number of shares outstanding during the period. This calculation includes the total weighted average number of the Common Stock, which includes prefunded warrants. The company includes details of this calculation in its regulatory filings.

Figure 4 – DarioHealth Corp. – Income Statement (US\$'000)

December ending year	2023A Year	2024A				2024A Year	2025E				2025E Year	2026E				2026E Year
		Q1A	Q2A	Q3A	Q4A		Q1A	Q2A	Q3E	Q4E		Q1E	Q2E	Q3E	Q4E	
Services	13,084	\$4,160	\$4,660	\$5,604	\$5,773	20,197	\$4,875	\$3,661	\$4,000	\$5,000	17,536	\$6,000	\$9,000	\$12,000	\$18,000	45,000
Consumer hardware	7,268	1,598	1,595	1,819	1,831	6,843	1,877	1,708	2,000	2,100	7,685	2,200	2,200	2,300	2,400	9,100
Total revenue	\$20,352	\$5,758	\$6,255	\$7,423	\$7,604	\$27,040	\$6,752	\$5,369	\$6,000	\$7,100	\$25,221	\$8,200	\$11,200	\$14,300	\$20,400	\$54,100
Growth	-93%	-18%	2%	111%	110%	33%	17%	-14%	-19%	-7%	-7%	21%	109%	138%	187%	115%
Cost of services	4,679	965	960	920	761	3,606	865	821	600	750	3,036	900	1,350	1,800	2,700	6,750
Cost of consumer hardware	5,303	1,198	1,306	1,282	1,353	5,139	1,130	1,151	1,480	1,554	5,315	1,628	1,628	1,702	1,776	6,734
Amortization of acq. int. assets	4,386	1,163	1,233	1,344	1,288	5,028	875	433	1,180	1,170	3,658	1,160	1,150	1,140	1,130	4,580
Cost of Goods	14,368	3,326	3,499	3,546	3,402	13,773	2,870	2,405	3,260	3,474	12,009	3,688	4,128	4,642	5,606	18,064
Gross Profit	5,984	2,432	2,756	3,877	4,202	13,267	3,882	2,964	2,740	3,626	13,212	4,512	7,072	9,658	14,794	36,036
Gross Margin	29.4%	42.2%	44.1%	52.2%	55.3%	49.1%	57.5%	55.2%	45.7%	51.1%	52.4%	55.0%	63.1%	67.5%	72.5%	66.6%
R&D	20,248	6,642	6,810	5,446	5,281	24,179	4,108	3,721	3,000	2,000	12,829	2,000	2,000	1,800	1,800	7,600
Sales & marketing	23,785	6,910	7,132	6,733	5,575	26,350	5,873	5,231	5,000	5,000	21,104	4,500	4,500	4,500	4,500	18,000
Genral and admin	18,140	6,735	5,005	3,728	5,014	20,482	3,310	3,212	3,200	3,200	12,922	4,000	4,000	3,700	3,500	15,200
Total Operating Expenses	62,173	20,287	18,947	15,907	15,870	71,011	13,291	12,164	11,200	10,200	46,855	10,500	10,500	10,000	9,800	40,800
Operating expense margins	305%	352%	303%	214%	209%	263%	197%	227%	187%	144%	186%	128%	94%	70%	48%	75%
Operating Income	(56,189)	(17,855)	(16,191)	(12,030)	(11,668)	(57,744)	(9,409)	(9,200)	(8,460)	(6,574)	(33,643)	(5,988)	(3,428)	(342)	4,994	(4,764)
Operating Margin																
Non-GAAP Operating Income	(31,375)	(9,078)	(10,671)	(7,116)	(6,926)	(33,791)	(5,811)	(6,363)	(5,460)	(3,574)	(21,208)	(2,988)	(428)	2,658	7,994	7,236
Non-GAAP Operating Margin																
Total Other Items	(3,174)	8,686	2,581	(313)	2,191	13,145	204	(3,790)	0	0	(3,586)	0	0	0	0	0
Pre-Tax Income	(59,363)	(9,169)	(13,610)	(12,343)	(9,477)	(44,599)	(9,205)	(12,990)	(8,460)	(6,574)	(37,229)	(5,988)	(3,428)	(342)	4,994	(4,764)
Taxes (benefit)	64	(1,994)	0	(13)	155	(1,852)	22	0	0	0	22	0	0	0	0	0
Tax Rate	-0.1%	21.7%	0.0%	0.1%	-1.6%	4.2%	-0.2%	0.0%	0.0%	0.0%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Income (loss)	(\$59,427)	(\$7,175)	(\$13,610)	(\$12,330)	(\$9,632)	(\$42,747)	(\$9,227)	(\$12,990)	(\$8,460)	(\$6,574)	(\$37,251)	(\$5,988)	(\$3,428)	(\$342)	\$4,994	(\$4,764)
Adj. Net income	(\$34,613)	(\$1,602)	(\$8,090)	(\$7,416)	(\$4,890)	(\$18,795)	(\$5,629)	(\$10,153)	(\$4,460)	(\$2,574)	(\$22,816)	(\$1,988)	\$572	\$3,658	\$8,994	\$11,236
GAAP EPS	(\$41.89)	(\$0.20)	(\$0.08)	(\$0.25)	(\$15.02)	(\$17.43)	(\$3.90)	(\$5.23)	(\$3.13)	(\$1.22)	(\$11.51)	(\$1.09)	(\$0.61)	(\$0.06)	\$0.69	(\$0.79)
Adjusted EPS	(\$24.40)	(\$0.93)	(\$4.06)	(\$3.67)	(\$7.62)	(\$7.67)	(\$2.38)	(\$4.09)	(\$1.65)	(\$0.48)	(\$7.05)	(\$0.36)	\$0.10	\$0.64	\$1.25	\$1.87
Share count	1,419	1,722	1,992	2,021	641	2,452	2,369	2,482	2,700	5,401	3,238	5,501	5,601	5,701	7,200	6,000

Source: Company reports and Litchfield Hills Research LLC

Figure 5 – DarioHealth Corp. – Balance Sheet (US\$000)

December ending year	2026E	2025E	2024A	2023A
Balance sheet				
Current Assets				
Cash and S.T.I.	\$26,997	\$24,211	\$28,636	\$37,089
Accounts receivable	6,000	3,000	4,804	3,155
Inventories	3,500	4,000	4,753	5,062
Other assets	<u>2,000</u>	<u>2,000</u>	<u>2,336</u>	<u>2,024</u>
Total Current Assets	38,497	33,211	40,529	47,330
Net PP&E	650	700	709	5,404
Other non-current assets	<u>70,000</u>	<u>73,500</u>	<u>77,646</u>	<u>43,655</u>
Total Assets	<u>\$109,147</u>	<u>\$107,411</u>	<u>\$118,884</u>	<u>\$96,389</u>
Current Liabilities				
Accounts payable	\$5,000	\$4,000	\$3,045	\$1,131
Deferred revenue	11,000	9,000	7,635	7,297
Other current liabilities	<u>7,500</u>	<u>1,000</u>	<u>5,955</u>	<u>4,065</u>
Total current liabilities	23,500	14,000	16,635	12,493
Long-term loan	4,000	10,000	23,472	24,591
Other non-current	<u>8,000</u>	<u>5,000</u>	<u>6,758</u>	<u>1,161</u>
Total Liabilities	35,500	29,000	46,865	38,245
Stockholders' Equity				
Preferred stock				
Total stockholders' equity	<u>73,647</u>	<u>78,411</u>	<u>72,019</u>	<u>58,144</u>
Total Liabilities and equity	<u>\$109,147</u>	<u>\$107,411</u>	<u>\$118,884</u>	<u>\$96,389</u>

Source: Company reports and Litchfield Hills Research LLC

Figure 6 – DarioHealth Corp. – Cash Flow (US\$000)

	2026E	2025E	2024A
Net Income	(\$4,764)	(\$37,251)	(\$42,747)
Accounts receivable	(3,000)	1,804	(1,649)
Unbilled receivables	0	0	0
Inventories	500	753	309
Other assets	0	336	(312)
PP&E	50	9	4,695
Other non-current	3,500	4,146	(33,991)
Accounts payable	1,000	955	1,914
Deferred revenue	1,000	417	586
Other payables and accrued	1,000	948	(248)
Other current liabilities	6,500	(4,955)	1,890
Long-term loan	(6,000)	(13,472)	(1,119)
Other non-current	3,000	(1,758)	5,597
Preferred stock	0	0	0
Commons stock	0	1	1
Additional paid in capital	0	43,642	54,856
Accumulated other comp. loss and other	0	0	0
Dividend and/or tax adj.			
Total Cash Flow	<u>\$2,786</u>	<u>(\$4,425)</u>	<u>(\$8,453)</u>

Source: Litchfield Hills Research LLC

Disclosures:

Analyst Certification

We, the Litchfield Hills Research Department, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject company and the underlying securities.

FINRA Compliant Research Report

We, the Litchfield Hills Research Department, hereby certify that this report is compliant with FINRA research rules 2241, 3110, and the report has been reviewed by a Supervisory Analyst.

MiFID II Compliant Research Report

Our research is classified as a minor non-monetary benefit under MiFID II. This applies to all forms of transmission, including email, website and financial platforms such as Bloomberg, FactSet, S&P Global, Refinitiv and 13 others. We do not seek payment from the asset management community and do not have any execution function. Investors can continue to receive our research under the MiFID II regime without the need for a contract for services to be put in place. This applies to all forms of transmission, including email, websites and financial platforms.

Litchfield Hills Research LLC Rating System

BUY: We expect the stock to provide a total return of 15% or more within a 12-month period.

HOLD: We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.

SELL: We expect the stock to have a negative total return of more than 15% within a 12-month period.

Total return is defined as price appreciation plus dividend yield.

Other Disclosures

Litchfield Hills Research, LLC ("LHR") is not a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission nor a member of Financial Industry Regulatory Authority. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject LHR or any divisions, subsidiaries or affiliates to any registration or licensing requirement within such jurisdiction.

All material presented in this report, unless specifically indicated otherwise, is under copyright to LHR and the subject company. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party,



DarioHealth Corp.

DRIO - Rating-Buy – US\$27.00 PT

without the prior express written permission of LHR or the subject company. All trademarks, service marks and logos used in this report are trademarks, service marks, registered trademarks, or service marks of LHR or its affiliates. The information, tools and material presented in this report are provided to you for information purposes only and are not to be used or considered as an offer or the solicitation of an offer to sell or to buy or subscribe for securities or other financial instruments. LHR may not have taken any steps to ensure that the securities referred to in this report are suitable for any particular investor. The investments or services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable, appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to you. LHR does not offer advice on the tax consequences of investment, and you are advised to contact an independent tax adviser. LHR believes the information and opinions in the Disclosure Appendix of this report are accurate and complete. The information and opinions presented in this report were obtained or derived from sources LHR believes are reliable, but LHR makes no representations as to their accuracy or completeness.

Ownership and Material Conflicts of Interest

The analyst owns no shares of the subject company. The analyst and his family have no known material conflicts of interest in authoring this report.

Investment Banking and Fees for Services

Litchfield Hills Research has not received compensation for advisory or investment banking services from the Company in the past 12 months. Litchfield Hills Research LLC has received compensation for targeting and distribution services from Arx Advisory Ltd., on behalf of their client, the subject of this report.

Market Making

Litchfield Hills Research LLC does not make a market in the subject company's securities.

Additional information is available upon request. LHR accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does not apply to the extent that liability arises under specific statutes or regulations applicable to LHR. This report is not to be relied upon in substitution for the exercise of independent judgment.