

Action Summary – 24 March 2026 – Analyst: Theodore R. O’Neill – 4Q25 Update

Exceeded revenue and EPS expectations for 4Q25. The company reported revenue of \$5.2MM versus consensus expectations of \$5.0MM. We were also looking for \$5MM. By any measure we can find, the company beat 4Q25 EPS expectations, but by how much is in the eye of the beholder. For us, it was \$0.35. For FactSet, it beat estimates by at least \$2.48. Because the company’s calculation of EPS uses the two-class method, and this pro-forma calculation is handled differently by different analysts, the consensus has limited utility. The \$0.35 favorable EPS variance we report versus our estimates for 4Q25 was due to higher revenue, margins and lower operating and non-operating costs, partially offset by higher taxes.

2026 brings growing opportunities, favorable YoY revenue comparisons, and improving earnings. 2025 was a transition year following the move to step away from one-time and non-recurring revenue as well as one client non-renewal. That resulted in falling sequential revenue and unfavorable quarterly YoY comparisons beginning in 2Q25 and, we believe ending in 1Q26. Evidence of this change came in 4Q25 with the first sequential revenue increase since 4Q24. In addition, the opportunity set is beginning to grow again with the commercial pipeline rising from \$69MM last quarter to \$122MM this quarter. We expect to see improvements in both GAAP and Non-GAAP earnings.

No change to estimates. For 2026, our revenue and EPS loss estimates are unchanged.

Attractive Valuation. The shares currently trade below our discounted future earnings price target model and below peer averages. If it were to trade at \$20, our target price, its Market Cap/Sales multiple would be above average but would not exceed the high end of the range. We believe it should trade at a premium to the average because of its expected high growth profile.

3/23 price: US\$ 7.50	Market cap: \$58M	2027 Mkt. Cap/Sales: 1.67x	2027 EV / Sales: 1.94x
Shares outstanding: 6.7MM	Insider ownership: ~22%	3-mo. avg. trading volume: >10,000	Dividend/Yield: NA/NA

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

Period	EPS	Revenue	Non-GAAP Net Inc.
FY23A	<u>(\$41.89)</u>	<u>\$20.4</u>	<u>(\$34.6)</u>
1Q24A	(\$4.00)	\$5.8	\$1.6
2Q24A	(\$1.60)	\$6.3	(\$8.1)
3Q24A	(\$4.91)	\$7.4	(\$7.4)
4Q24A	<u>(\$8.25)</u>	<u>\$7.6</u>	<u>(\$4.9)</u>
FY24A	<u>(\$12.20)</u>	<u>\$27.0</u>	<u>(\$18.8)</u>
1Q25A	(\$3.90)	\$6.7	(\$5.6)
2Q25A	(\$5.23)	\$5.4	(\$10.1)
3Q25A	(\$2.96)	\$5.0	(\$7.0)
4Q25A	<u>(\$1.46)</u>	<u>\$5.2</u>	<u>(\$6.4)</u>
FY25A	<u>(\$10.12)</u>	<u>\$22.4</u>	<u>(\$29.2)</u>
1Q26E	(\$1.31)	\$5.1	(\$4.3)
2Q26E	(\$1.11)	\$6.2	(\$3.1)
3Q26E	(\$0.85)	\$7.2	(\$1.5)
4Q26E	<u>(\$0.62)</u>	<u>\$8.1</u>	<u>(\$0.5)</u>
FY26E	<u>(\$4.00)</u>	<u>\$26.6</u>	<u>(\$9.4)</u>

Note: December ending year. Numbers may not add due to rounding, share count changes and how the company allocates income to the common shares.

Cash, STD and restricted (in \$millions)

• 2023A	• \$37.1
• 2024A	• \$28.6
• 2025A	• \$26.2
• 2026E	• \$13.6

LT Debt (in \$millions)

• 2023A	• \$24.6
• 2024A	• \$23.5
• 2025A	• \$30.7
• 2026E	• \$30.0

Risks/Valuation

- Risks include competition, regulatory issues, business execution, and new customer acquisition.
- Our USD\$20.00 target is derived from 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

Quarterly Results

Exceeded revenue and EPS expectations for 4Q25. The company reported revenue of \$5.2MM versus consensus expectations of \$5.0MM. We were also looking for \$5MM. By any measure we can find, the company beat 4Q25 EPS expectations, but by how much is in the eye of the beholder. For us, it was \$0.35. For FactSet, it beat estimates by at least \$2.48. Because the company’s calculation of EPS uses the two-class method, and this pro-forma calculation is handled differently by different analysts, the consensus has limited utility. Looking at Figure 2, the \$0.35 favorable EPS variance we report was due to higher revenue, margins and lower operating and non-operating costs, partially offset by higher taxes.

Figure 2 – DarioHealth Corp. – Price Target Calculation

	2025 Q4E	FY25 Q4A	Better / (Worse) Than Estimates
Services	\$3,200	\$3,184	(\$16)
Consumer hardware	<u>1,800</u>	<u>2,047</u>	\$247
Total Revenue	5,000	5,231	\$231
Cost of services	576	601	(25)
Cost of consumer hardware	1,224	1,645	(421)
Amortization of acq. Int. assets	<u>1,170</u>	<u>181</u>	<u>989</u>
Total cost of revenue	2,970	2,427	543
Total Gross Profit	2,030	2,804	774
Operating expenses:			
R&D	3,300	2,634	666
Sales & marketing	4,400	4,630	(230)
General and admin	<u>5,000</u>	<u>4,102</u>	<u>898</u>
Total Expenses	<u>12,700</u>	<u>11,366</u>	<u>1,334</u>
Earnings (loss) from Operations	(10,670)	(8,562)	2,108
Total Other income/(expense)	(500)	(386)	114
Earnings before taxes	(11,170)	(8,948)	2,222
Tax expense/(benefit)	<u>0</u>	<u>83</u>	(83)
Net income	<u>(\$11,170)</u>	<u>(\$9,031)</u>	\$2,139
GAAP EPS	(\$1.80)	(\$1.46)	\$0.35

Source: Litchfield Hills Research and company filings

Valuation Methodology

We believe DRIO is undervalued, and we support that belief with an absolute and relative valuation. To determine our price target, 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 3)
- 2) Valuation relative to peers (see Figure 4)

Discounted Future Earnings – Basis for Price Target

Our 12-month price target of \$20.00 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 2027, 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 3 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 \$19.51, which we round to \$20.00.

Figure 3 – DarioHealth Corp. – Price Target Calculation

Implied Value of Future Discounted Earnings: \$19.51		
Year 0 is 2026	Forecast GAAP EPS	Discounted EPS
0	(\$4.00)	(\$4.00)
1	\$0.10	\$0.09
2	\$0.50	\$0.42
3	\$0.90	\$0.69
4	\$1.36	\$0.96
5	\$1.83	\$1.19
Terminal Value		\$20.15

Source: Litchfield Hills Research LLC

Valuation Relative to Peers

Figure 4 is a summary of our DRIO peer comparison. If it were to trade at \$20, its Market Cap/Sales multiple would be ~5.08x, which would be above average, but not at the high end of the range. We would argue that it deserves a larger than average multiple because of the growth potential.

Figure 4 – DarioHealth Corp. – Comp Tables

FactSet Ticker	Company Name	Closing Price	Market Cap \$MM	EV \$MM	2027 Consensus	
					Market Cap / Sales	EV /Sales
RMD-US	Resmed Inc (Ordinary 1:10)	\$225.99	32,922	32,305	5.50	5.41
HIMS-US	Hims & Hers Health, Inc.	\$22.02	5,019	5,920	1.55	1.92
RDNT-US	RadNet Inc.	\$61.49	4,772	5,330	1.76	2.21
HNGE-US	Hinge Health, Inc.	\$42.48	3,346	3,694	3.81	3.65
WGS-US	GeneDx Holdings Corp.	\$69.84	2,046	2,034	3.05	2.90
INSP-US	Inspire Medical Systems Inc	\$53.72	1,536	1,304	1.43	1.22
TDOC-US	Teladoc Inc	\$5.35	954	1,227	0.38	0.48
TALK-US	Talkspace, Inc.	\$5.14	859	814	2.50	2.33
OMDA-US	Omada Health, Inc.	\$13.51	796	650	2.14	1.54
GDRX-US	GoodRx Holdings, Inc.	\$2.03	695	973	0.88	1.27
LFMD-US	LifeMD, Inc.	\$3.90	187	192	0.72	0.56
OWLT-US	Owlet Inc.	\$5.14	145	154	0.97	0.57
	AVERAGE				2.06	2.00
DRIO-US	DarioHealth Corp.	\$7.99	58	68	1.67	1.94
DRIO-US Premium/(Discount) to peers:					-19%	-3%

Source: Litchfield Hills Research LLC and FactSet

Financial Estimates and Guidance

The company does not provide financial guidance. DRIO has stated its cash flow breakeven timeline to mid-2027 out from late 2026 to early 2027.

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 5 – DarioHealth Corp. – Income Statement (US\$000)

December ending year	2023A Year	2024A Year	2025A				2025A Year	2026E				2026E Year
			Q1A	Q2A	Q3A	Q4A		Q1E	Q2E	Q3E	Q4E	
Services	13,084	20,197	\$4,875	\$3,661	\$3,209	\$3,184	14,929	\$3,300	\$4,200	\$5,000	\$5,800	18,300
Consumer hardware	7,268	6,843	1,877	1,708	1,798	2,047	7,430	1,800	2,000	2,200	2,300	8,300
Total revenue	\$20,352	\$27,040	\$6,752	\$5,369	\$5,007	\$5,231	\$22,359	\$5,100	\$6,200	\$7,200	\$8,100	\$26,600
<i>Growth</i>	-93%	33%	17%	-14%	-33%	-31%	-17%	-24%	15%	44%	55%	19%
<i>Cost of services</i>	4,679	3,606	865	821	613	601	2,900	429	546	650	754	2,379
<i>Cost of consumer hardware</i>	5,303	5,139	1,130	1,151	1,198	1,645	5,124	1,260	1,400	1,540	1,610	5,810
<i>Amortization of acq. Int. assets</i>	4,386	5,028	875	433	181	181	1,670	1,160	1,150	1,140	1,130	4,580
Cost of Goods	14,368	13,773	2,870	2,405	1,992	2,427	9,694	2,849	3,096	3,330	3,494	12,769
Gross Profit	5,984	13,267	3,882	2,964	3,015	2,804	12,665	2,251	3,104	3,870	4,606	13,831
Gross Margin	29.4%	49.1%	57.5%	55.2%	60.2%	53.6%	56.6%	44.1%	50.1%	53.8%	56.9%	52.0%
R&D	20,248	24,179	4,108	3,721	3,328	2,634	13,791	2,000	2,000	1,800	1,800	7,600
Sales & marketing	23,785	26,350	5,873	5,231	4,604	4,630	20,338	4,500	4,500	4,500	4,500	18,000
Genral and admin	18,140	20,482	3,310	3,212	4,567	4,102	15,191	4,000	3,800	3,500	3,300	14,600
Total Operating Expenses	62,173	71,011	13,291	12,164	12,499	11,366	49,320	10,500	10,300	9,800	9,600	40,200
Operating expense margins	305%	263%	197%	227%	250%	217%	221%	206%	166%	136%	119%	151%
Operating Income	(56,189)	(57,744)	(9,409)	(9,200)	(9,484)	(8,562)	(36,655)	(8,249)	(7,196)	(5,930)	(4,994)	(26,369)
Operating Margin	-	-	-	-	-	-	-	-161.7%	-116.1%	-82.4%	-61.7%	-99.1%
Total Other Items	(3,174)	13,145	204	(3,790)	(982)	(386)	(4,954)	0	0	0	0	0
Pre-Tax Income	(59,363)	(44,599)	(9,205)	(12,990)	(10,466)	(8,948)	(41,609)	(8,249)	(7,196)	(5,930)	(4,994)	(26,369)
Taxes (benefit)	64	(1,852)	22	0	0	83	105	0	0	0	0	0
Tax Rate	-0.1%	4.2%	-0.2%	0.0%	0.0%	-0.9%	-0.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Income (loss)	(\$59,427)	(\$42,747)	(\$9,227)	(\$12,990)	(\$10,466)	(\$9,031)	(\$41,714)	(\$8,249)	(\$7,096)	(\$5,530)	(\$4,494)	(\$26,369)
Adj. Net income	(\$34,613)	(\$18,795)	(\$5,629)	(\$10,153)	(\$6,969)	(\$6,460)	(\$29,211)	(\$4,249)	(\$3,096)	(\$1,530)	(\$494)	(\$9,369)
GAAP EPS	(\$41.89)	(\$12.20)	(\$3.90)	(\$5.23)	(\$2.96)	(\$1.46)	(\$10.12)	(\$1.31)	(\$1.11)	(\$0.85)	(\$0.62)	(\$4.00)
Share count	1,419	2,452	2,369	2,482	3,138	6,200	3,983	6,300	6,400	6,500	7,200	6,600

Source: Company reports and Litchfield Hills Research LLC

Figure 6 – DarioHealth Corp. – Balance Sheet (US\$000)

December ending year	2026E	2025A	2024A	2023A
Balance sheet				
Current Assets				
Cash and S.T.I.	\$13,625	\$26,246	\$28,636	\$37,089
Accounts receivable	3,000	2,144	4,804	3,155
Inventories	4,000	4,316	4,753	5,062
Other assets	<u>1,000</u>	<u>2,361</u>	<u>2,336</u>	<u>2,024</u>
Total Current Assets	21,625	35,067	40,529	47,330
Net PP&E	650	549	709	5,404
Other non-current assets	<u>70,000</u>	<u>74,459</u>	<u>77,646</u>	<u>43,655</u>
Total Assets	<u>\$92,275</u>	<u>\$110,075</u>	<u>\$118,884</u>	<u>\$96,389</u>
Current Liabilities				
Accounts payable	\$5,000	\$2,928	\$3,045	\$1,131
Deferred revenue	7,300	5,965	7,635	7,297
Other current liabilities	<u>500</u>	<u>430</u>	<u>5,955</u>	<u>4,065</u>
Total current liabilities	12,800	9,323	16,635	12,493
Long-term loan	30,000	30,747	23,472	24,591
Other non-current	<u>3,000</u>	<u>2,083</u>	<u>6,758</u>	<u>1,161</u>
Total Liabilities	45,800	42,153	46,865	38,245
Stockholders' Equity				
Preferred stock				
Total stockholders' equity	<u>46,475</u>	<u>67,922</u>	<u>72,019</u>	<u>58,144</u>
Total Liabilities and equity	<u>\$92,275</u>	<u>\$110,075</u>	<u>\$118,884</u>	<u>\$96,389</u>

Source: Company reports and Litchfield Hills Research LLC

Figure 7 – DarioHealth Corp. – Cash Flow (US\$000)

	2026E	2025A	2024A
Net Income	(\$25,452)	(\$41,714)	(\$42,747)
Accounts receivable	(856)	2,660	(1,649)
Unbilled receivables	0	0	0
Inventories	316	437	309
Other assets	1,361	(25)	(312)
PP&E	(101)	160	4,695
Other non-current	4,459	3,187	(33,991)
Accounts payable	2,072	(117)	1,914
Deferred revenue	86	(869)	586
Other payables and accrued	1,249	(801)	(248)
Other current liabilities	70	(5,525)	1,890
Long-term loan	(747)	7,275	(1,119)
Other non-current	917	(4,675)	5,597
Preferred stock	0	0	0
Commons stock	1	0	1
Additional paid in capital	4,004	57,638	54,856
Accumulated other comp. loss and other	0	0	0
Dividend and/or tax adj.			
Total Cash Flow	<u>(\$12,621)</u>	<u>(\$2,390)</u>	<u>(\$8,453)</u>

Source: Litchfield Hills Research LLC

Disclosures:

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DRIO - Rating-Buy – US\$20 PT

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