

DRIO Earnings Call Transcript

Date: 2025-11-13

Quarter: 3

Operator: Good morning, ladies and gentlemen, and welcome to the DarioHealth third quarter 2025 Results Conference Call. At this time, all lines are in a listen-only mode. Following the presentation, we will conduct a question and answer session. If you require immediate assistance during the call, please press 0 at any time for the operator. This call is being recorded on Thursday, November 13, 2025. I would now like to turn the conference over to Zoe Harrison, VP of Accounting and Corporate Development at DarioHealth. Zoe, please go ahead.

Zoe Harrison: Thank you, operator, and good morning, everyone. Thank you for joining us today for a discussion of DarioHealth's third quarter 2025 financial results. Leading the call today will be Erez Raphael, Chief Executive Officer of DarioHealth. He'll be joined by our President and Chief Commercial Officer, Steven Nelson, and Chen Franco-Yehuda, our Chief Financial Officer. 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 on Thursday, November 13, 2025. This morning, we issued a press release announcing our financial results for 2025. A copy of the release can be found on the Investor Relations page of DarioHealth's website. I'd like to remind you that on this call, management will make forward-looking statements within the meaning of the federal securities laws. For example, the company is using forward-looking statements when it is discussing the amount of its targeted new business, its 2026 pipeline, and expected strong revenue acceleration in 2026. That it expects to reach cash flow breakeven by late 2026 to early 2027, that it expects to transition to a high-margin recurring revenue model, that it is on a solid path to profitability, the number of new accounts it expects to sign in 2025, its potential future business opportunities, and that it expects to further cut its operating expenses over the next twelve to fifteen months. Forward-looking statements are subject to numerous risks and uncertainties, many of which are beyond the company's control, including the risks described from time to time in its SEC filings. The company's results may differ materially from those projections. These statements involve material risks and uncertainties that could cause actual results or events to materially differ. Accordingly, you should not place undue reliance on these statements. I encourage you to review the company's filings with the SEC, including without limitation, the company's annual report on Form 10-K, which identifies specific factors that may cause actual results or events to differ materially from those described in the forward-looking statements. With that, I'll hand it over to Erez Raphael, Chief Executive Officer of DarioHealth.

Erez Raphael: Good day, everyone, and thank you for joining our third quarter result review. Before getting into the numbers, I want to start by highlighting what makes Dario truly unique and why we are seeing a growing strategic interest in our business. Today, Dario is a digital companion for whole person health. Our platform unifies physical, mental, and behavioral care into one connected experience, addressing diabetes, hypertension, weight management, musculoskeletal pain, mental health, and more, all within a single data-driven framework. We believe this multi-condition whole person model is where the market is heading, and our results prove it. More than 50% of our new clients this year have chosen our multi-condition solution. Our artificial intelligence-powered personalized engine combines biometric, self-reported, and behavioral data to deliver measurable outcomes. Our software-first model drives 60% GAAP and over 80% non-GAAP gross margins with

expanding profitability. We now serve over 125 clients, including four national and seven major regional health plans, and numerous Fortune-level employers, supported by channel partners reaching more than 116 million covered lives. Together, these assets—our engagement engines, scalable infrastructure, deep data, and expanding client base—make Dario one of the most advanced and scalable digital health platforms in the industry. Now let's jump into the numbers. In 2025, our top line and gross margin results reflected the ongoing transition to our high-margin annual recurring revenue model. While revenue came in at \$5 million and was lower on a year-over-year and quarter-over-quarter basis, key metrics driving future revenues combined with reductions in operating costs and growing margins set Dario on a track for a strong 2026, including reaching cash flow breakeven by late 2026 to early 2027. We are targeting \$12.4 million in new business for implementation in 2026, including committed annual recurring revenues and a portion of our late-stage pipeline that is in the final stages of contracting. With 45 new signed accounts year-to-date in 2025 contributing to revenue momentum for 2026, we have already surpassed our 2025 goal of 40 new accounts. This brings our client base to over 125 and counting, which includes over 110 employers, four national health plans, and seven major regional health plans. Our new accounts and a large portion of our \$69 million pipeline are customers that are two to ten times larger than our clients have been in the past, creating a multiplier effect with new business coming in for the balance of 2025 and 2026. Dario's business economics are healthy and stronger than ever. In 2025, we achieved GAAP gross margins of 60% and we achieved seven consecutive quarters of 80% plus non-GAAP gross margins on our core B2B2C business. With the help of AI and our commitment to optimizing efficiency, we reduced operating expenses by an impressive \$17.2 million or 31% in the first nine months of 2025 and reduced by \$3.4 million or 21% during the third quarter compared to the year-ago period. Several new accounts are now onboarding and beginning to contribute to revenue with full impact expected in 2026. Of this, two large health plans are among the most sizable and strategic clients in Dario's history. Our 90% renewal rate underscores the value we deliver to our clients. As an early leader in digital health, we aim to continue to drive the industry-wide shift from fragmented point solutions to integrated multi-condition platforms that deliver measurable outcomes and cost savings. With healthcare costs continuing to rise, Dario's approach to parlaying lasting behavioral changes for personalized digital solutions is in high demand. I will now turn the call over to Steven.

Steven C. Nelson: Thank you, Erez, and hello, everyone. We are seeing stronger demand than at any point in Dario's history, especially from blue-chip employers and national insurers. Our multi-condition platform remains the most comprehensive in digital health, covering more conditions and backed by more clinical evidence than anyone else in the market. Commercial traction is accelerating. We've adjusted our product market fit to better serve health plans, the government sector, and off-cycle employers, and it's paying off. Our 2026 pipeline has grown to \$69 million, with more than 50% of our new clients choosing our multi-condition solution. We're meeting payers and employers where they are, delivering personalized data-driven care across five or more conditions, all at equal or lower cost than most single-condition competitors. Our core business, employers, and health plans is performing exceptionally well. The average employer account size that we have won and still remains in our pipeline has almost doubled versus last year, which is a clear validation of the platform and the expanding confidence we are seeing from the market. It's driving real revenue momentum as these clients begin to implement and scale with us. We are targeting \$12.4 million in new business for implementation in 2026, reflecting both committed annual recurring revenue and late-stage opportunities nearing completion. Our pipeline includes several opportunities in late-stage development still remaining in 2025. Year-to-date, we've added 45 new clients contributing to that growth. These are high-quality recurring revenue relationships, not one-time contracts. Since the last earnings call, we've signed 24 new employer agreements, including one of the largest in our history. Most of them will onboard in 2026. These wins span multiple industries and validate the market's growing preference for Dario's multi-condition solution and our new value-based pricing model, which aligns our success directly with measurable outcomes for our clients and their members. This is why we now have more than 125 clients, including Fortune 100 employers and national and regional health plans. Our diversified mix across employers, health plans, and pharma ensures multiple revenue streams and low customer concentration. Client retention remains strong at 90%. We expect our win rate velocity will

only accelerate, driven by our effective go-to-market strategy and the strength of our channel partners, which account for more than 80% of our new logo wins this year. Through our top-tier channel partners, we now reach over 116 million covered lives, expanding our market access and helping deals move faster through contracting. Many of these partners were newly contracted or recontracted this year under win-win agreements that strengthen alignment and create even greater momentum going into 2026. We've made major progress with several top-tier health insurers. Some of the most meaningful launches in Dario's history. UnitedHealthcare launched Dario on its digital marketplace in a soft launch during 2025, which is a full suite offering. A full national rollout will be coming in January 2026. We're proud to be a part of this innovative go-to-market approach with the largest health insurer in the US, serving more than 50 million people. In partnership with our valuable channel partner, Solara Health, Primera Blue Cross, one of the largest not-for-profit health plans in the Pacific Northwest, has also launched Dario. Solara Health has built a powerful digital network where Dario is a preferred partner. And Primera Blue Cross deserves credit for leading with vision and executing an innovative rollout. Additionally, Solara and their partner, Aetna, have selected Dario to work with one of our largest employers in our company's history, representing 126,000 lives. This is our biggest channel partner launch to date, offering Dario to Aetna's employer network, reaching millions of covered lives. And most recently, we announced another large health plan launch with another key channel partner, Amwell. As shared on Amwell's recent earnings call, they were selected by Florida Blue, and Dario is chosen as a part of that new business. Through this partnership, Florida Blue's self-insured employers will have access to our multi-condition solution for cardiometabolic health, while the fully insured line of business will offer Dario's diabetes program. This is a major strategic win and a tremendous validation of our platform. We're proud to partner with Florida Blue for 2026 and beyond. Taken together, we believe these launches mark a turning point for Dario, expanding our reach, validating our leadership, and setting the stage for accelerated growth in 2026. While we are well established with commercial partners in the private sector, we are also seeing opportunities opening in the public sector. Policy tailwinds are driving the adoption of digital health solutions for federal and state-funded health programs. Dario, with our attractive pricing, proven clinical benefits, and return on investment, or ROI, is very well positioned to be competitive in this space. We previously announced our partnership with Green Key Health, and we're now seeing that come to life through Temple University Health System's announcement last week at the Becker's Healthcare CEO and CFO roundtable. Temple's Executive Vice President and Hospital CEO, Avi Arstavi, shared on the main stage that Temple is collaborating with DarioHealth and Green Key Health to manage the cost and clinical utilization of GLP-1 medications and obstructive sleep apnea therapies, two of the fastest-growing and most expensive areas in healthcare. Dario is also in the final stages of executing a similar GLP-1 digital utilization management program for a national account employer launching early in 2026. We are excited about the product market fit both opportunities afford Dario for the future in 2026 and 2027 sales. This collaboration was achieved through a product partnership model, requiring minimal R&D; investment from Dario, demonstrating our ability to scale innovation efficiently and drive meaningful impact without significant internal spend. We believe that this also reinforces Dario's expanding leadership in helping major health systems achieve measurable ROI through digital, data-driven engagement and outcomes, and represents another step forward in our growth across employers, payers, and now integrated delivery networks. We're also continuing to expand our capabilities through other strategic collaborations in alignment with Dario's whole person condition management strategy. It's AI-powered fall risk assessment and prevention technology directly into Dario's platform. Falls represent more than \$50 billion in annual medical costs, and this integration further enhances our ability to deliver measurable ROI for health plans by improving safety, reducing avoidable claims, and broadening the overall clinical and value of Dario's platform. Another important growth driver is our pharma business. About a year ago, we began transitioning Dario's pharma services from milestone-based projects to a recurring revenue model, and we've made some strong progress in that effort. We've now launched the business with a sharper, more targeted focus on therapeutic areas where we can deliver the greatest impact. Dario Pharma Services remains a smaller part of our broader business today, but momentum is clearly building. We bring deep experience helping pharma companies find, onboard, and keep patients engaged across their treatment journey. Our platform consistently delivers between 5x and 10x ROI

through 30% to 60% lower recruiting costs, 32% higher engagement, four times better prescription conversion, and more than 20% improved adherence compared to traditional approaches. This is how we're positioning Dario as a long-term strategic partner in pharma, one that drives both clinical and commercial value through digital precision and recurring relationships. Our latest pharma services initiative focuses on MASH, formerly known as NASH, a fast-emerging \$10 billion market driven by the first drugs for fatty liver disease. Most patients remain undiagnosed and need support beyond the pill, which is where Dario adds value. Through our F.A.I.R. framework—Find, Assess, Initiate, Retain, and Augment—we help pharma deliver whole person digital engagement and behavioral support. Our new twelve-week thought leadership campaign launched this week, highlighting how this model not only unlocks the MASH opportunity but could be replicated across cardiometabolic, mental health, and other high-burden therapeutic areas. As we approach the January renewal cycle, our commercial teams are fully engaged in finalizing contracts and onboarding new clients. This is one of the busiest and most important times of the year for us, and the team is working hard to ensure a smooth transition into 2026. We've established an internal benchmark to retain roughly 85% of our clients on a year-over-year basis, a standard consistent with leading health SaaS companies, and we feel very good about achieving that target based on the renewal conversations underway. With the rapidly expanding pipeline, proven outcomes, and a strong renewal foundation, we're seeing continued acceleration in our business as we move into 2026. The combination of new growth, recurring revenue, and disciplined client retention gives us real confidence in the year ahead. With that, I'll turn the call over to Chen.

Chen Franco-Yehuda: Thank you, Steven, and good morning, everyone. In the third quarter, we continued to strengthen DarioHealth's financial position and advance our transition to a business model centered on high-quality, recurring revenues, strong margins, and operating leverage. We're executing this strategy with discipline, and you can see the progress clearly reflected in this quarter. As of September 30, 2025, we had \$31.9 million in cash and equivalents. This reflects the successful completion of an oversubscribed \$17.5 million private placement of common stock or equivalents only in the business, which we view as a meaningful signal of investors' confidence in the market opportunity and in our ability to execute. In parallel, we took several steps to simplify and strengthen our capital structure. We completed the conversion of preferred shares into common stock and equivalents, resulting in a clear and more transparent cap table. We also amended our current credit agreement to provide greater flexibility on covenant testing, which enhances our financial resilience while we continue to scale. Let me now turn to the financial results. Revenues for the third quarter of 2025 were \$5 million compared to \$5.4 million in 2025 and \$7.4 million in 2024. As we've discussed in previous quarters, the year-over-year decline reflects the nonrenewal of a large scope of work with a national health plan in early 2025, as well as the deliberate shift from one-time revenue streams towards long-term annual recurring revenue. This transition emphasizes quality, predictability, and scalability of revenue, and we believe it positions Dario for stronger, more durable growth. Gross margin performance continued to reinforce the strength of our unit economics. GAAP gross margin expanded to 60%, up from 55% in 2025 and 52% in 2024. Non-GAAP gross margin in our core B2B2C remains above 80% since the beginning of 2024, reflecting the benefits of a software-led model and disciplined cost management. Turning to operating expenses, we continue to execute on efficiency and scale. For the first nine months of 2025, operating expenses declined by \$17.2 million or 31% year-over-year. For the third quarter, operating expenses declined by \$3.4 million, a 21% reduction from the prior year period. These improvements were driven by cost measure integration of process automation, organizational streamlining, and expanded use of AI-based workflow across all operations. As a result, operating loss improved by \$18 million or 39% for the nine-month period compared to last year. Looking ahead, we expect an additional 10% to 15% improvement in operating expenses over the next twelve to fifteen months as we continue to automate core processes and improve efficiency. To summarize, as of the end of the third quarter, we have a strong balance sheet and a simplified capital structure. Our operating expenses continue to decline, and we are building a durable base of recurring revenue supported by high retention with an existing customer base and accelerating momentum signing and onboarding new clients. This includes a target of \$12.4 million in new business for implementation in 2026, reflecting both committed ARR and late-stage opportunities nearing completion. Given the committed ARR, a healthy and expanding pipeline, and continuous progress on

operational efficiencies, we reiterate our expectations to reach run-rate cash flow breakeven by late 2026 to early 2027. I'll now turn the call back over to Erez before we go to the Q&A session.

Erez Raphael: Thank you, Chen. Today, Dario stands at a critical and exciting inflection point where our differentiated offering is exactly what payers are looking for. Our team is executing with focus and discipline. The groundwork is in place, and we are fully aligned with the market dynamics that favor integrated, outcome-driven solutions. We are committed to growing our business by improving health outcomes for users and creating savings for payers. The technology platform we have invested in and built, including integration of several acquisitions over the last decade, is a highly valued strategic asset, in addition to and beyond its ability to generate high-margin recurring revenues. As a reminder, in September 2025, in response to multiple unsolicited inbound expressions of interest, Dario engaged Parella Weinberg Partners and established a special committee of its board of directors. We will not comment further on this matter unless and until there is a material update. With that, I want to hand over the call to the operator for the Q&A session.

Operator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. To join the question queue, you may press star then 1 on your telephone keypad. You will hear a tone acknowledging your request. If you are using a speakerphone, please pick up your handset before pressing any keys. We will pause for a moment. To withdraw your question, please press star then 2. Our first question comes from the line of David Grossman from Stifel. Your line is open. Again, David Grossman, your line is open. Our next question comes from the line of Charles Rhyee from TD Cowen. Your line is open.

Charles Rhyee: Hi. This is Lucas on for Charles. Thanks for taking the questions. Wanted to ask about your UnitedHealth national rollout starting in January 2026. Can you help us understand how much of the \$12 million in new business expected to be implemented in '26 is coming from this client? And then can you, I guess, just speak to the overall opportunity you see with this client in 2026 and beyond?

Steven C. Nelson: Yeah. Hi. This is Steven Nelson. Yeah. I am happy to take that question. Two things. One is they have launched a digital marketplace for all their book of business. They're rolling it out in chunks. They soft announced that in Q3. We've been active in that pilot rollout, and now they're doing it with scale against their entire book. We don't get specific in terms of client segments and revenue by client by the book. But we're really encouraged by what they're doing. We were one of the few selected in terms of that digital marketplace. And as they roll that out, they're rolling it out in chunks, I believe, in membership books as they go quarter by quarter, with the formal rollout. So it's more of what they've done before to have a market. They've done a little bit of this in the past, but this is kind of a newer launch for them. I'd say quite innovative, to say the least. And this is a group-sponsored business where the group benefits people, members, consumers can go on and use their benefits to then purchase within a digital portfolio of products. So not necessarily built within their product. In direct form, more through a group type of plan. And so it's a pretty innovative launch. We're excited to be a part of it, and that will all kick off in a formal way in January.

Charles Rhyee: Okay. Appreciate that. And then, still want to focus on the \$12 million in new business expected to be implemented in '26. Can you help us understand what sort of pacing we should be modeling in and expecting for this new business?

Steven C. Nelson: Yeah. So some of it's already started. We've been in Q4, the time period, as we kind of launched a lot of these accounts. As we noted on the call, our expectation was to have 40 that would be signed this year that would impact this year or start in next year. We've achieved 45. Specifically already to date, and we still have some time left to sign some others. So it's kind of rolling in now as open enrollment kind of kicked in now. Some of those accounts did start earlier. The majority of those accounts will start in January. In normal benefits time frame. Some of them will roll in in January as normal benefits from open enrollment. Some of them may start in terms of February. Just delayed slightly after their open enrollment. We've seen a lot of employers that are starting things in an off-cycle but still within the benefits stack. So a lot of them are starting things within the time frame of their benefits. But not necessarily at the start of the benefits year. So it's gonna roll in, I'd say, over the course of Q1. We do have some off-cycle things that we're still engaged in. Some of the health plan businesses off-cycle. Obviously, some of the things we've done in the government sector is just waiting for the government to kind of finish their budgets and move forward. And that's we're pretty encouraged

about a couple of those as well in maternal health. And some digital health initiatives that have already been spoken about. And then lastly, we also have a little bit of other new business from employers that are off-cycle. So we've done things around some different sectors of business and employer business with our specific channel partners that are also off-cycle. So it's kind of a little bit of a roll-in. I'd say the majority of that was in Q1. But some of that has already started, and some of that also will be a tail after Q1 will start. But the majority will definitely be in Q1 timing.

Charles Rhyee: Okay. I appreciate that. And then, I mean, you guys are saying, you know, the commercial pipeline is growing. You talked about a 90% renewal rate. When we look at the B2B2C revenue, we're still seeing sequential declines. Can you help us understand what's driving this? You spoke to a nonrenewal that took place in early 2025. Is this the primary driver for, you know, continued sequential declines here? Can you kind of peel back the layers on what the underlying trends are in this business in Q3?

Erez Raphael: Yeah. I'm gonna take it. So Lucas, we mentioned in the previous quarters, we had this one national health plan that didn't continue this year. I think that this is what created the decline. Other elements that are showing a decline between this quarter to the previous quarter is the transition of the pharma business from milestone-driven into recurring revenue-driven. If we are looking into the book of business that is purely employers and health plans, it's stable between Q2 to Q3, and we believe that it's gonna be stable and even going a bit up between Q3 to Q4. I want to also assign some numbers to your previous questions. You asked specifically about UnitedHealthcare. We are not exposing exactly how we are modeling everything, every opportunity, and every client. But if I'm gonna look into the numbers from 30,000 feet, you have 45 new accounts that have been signed this year. 90% of them will launch only in Q1. So you're gonna see the ramp-up only in Q1. And the way that we modeled all the accounts is that we don't have a single opportunity that is contributing more than a million dollars out of the \$12.4 million. So I think that we have here a very diversified approach where we are not putting all the weight on one client in order to get us the growth for 2026. Hope it's helpful.

Charles Rhyee: Gotcha. That's helpful. And then the last question I have, and I'll jump back in the queue, is just speaking, can you give us an update on the pharma services pipeline? What kind of demand you're seeing following your sharper focus on therapeutic areas? And just be curious to hear how prospective clients in that side of the business are responding to this approach.

Erez Raphael: Yeah. So, the way that we are looking into the few B2B channels, employers, healthcare, and pharma, is that our priority is, first of all, employers and health plans. This is where we are focusing all the efforts and also the sales and marketing budget perspective. We do believe that we have a very impressive portfolio of products that is helping and helped pharma in the past. I mean, if we're looking into previous business that we had, we had a lot of business with all the big names. From Sanofi to Eli Lilly to Novo Nordisk. All of them were clients of Dario or Twill. The issue that we had with the business is that we wanted to make sure that we are operating as a SaaS-oriented business, and we are running recurring revenue only. Which means that we transformed the business and literally shut down accounts that were only one-time revenues. The way that we view it in the future is that we're gonna be extremely selective. And I believe that for next year, we're gonna have between two or four accounts that are gonna contribute to the revenue. And I believe that the numbers are gonna be relatively smaller compared to the employers in the health plan channel.

Charles Rhyee: Okay. Great. Appreciate the color. Thanks.

Operator: Our next question comes from the line of David Grossman from Stifel. Your line is open. Our next question is from Theodore O'Neill from Witchfield Hills Research. Your line is open.

Theodore Rudd O'Neill: Thank you very much. Steven, you talked about adjusted product market fit. And in the press release, it also highlights the new performance-based pricing model. And I'm wondering between those two things, what are you finding is working for you better now than, say, twelve months ago?

Steven C. Nelson: Yeah. Two things. One is that we're really focused on which multi-condition offerings we're taking in the market for clients. So we're doing more around claims-based analytics. We're doing more around claims-based engagement. Trying to make sure that our product fits kind of what they're looking for. A solution, first of all. That's from the marketing to the presentation to the sales process to closing it and then reporting on it, engaging it, you know, etcetera with the clients. So I think that's one

big broad thing. I think the second thing is, you know, we didn't do it all ourselves. I noted in the earnings release, specifically in my script, that we talked about how we added in a couple of key partners to round out our product solution where we didn't have to necessarily develop the R&D; but they are presenting market opportunities for us, specifically most recently, Green Key around sleep. Again, partnering with what we have in cardiometabolic offering, tying that into sleep gets us into a different category. Doesn't increase our R&D; expenditures, and allows us to go to market with a new offering. Again, product market fit, finding ways to reduce the cost of care for payers, specifically in the sleep category. We're looking at the same thing with OneStep recently announced around falls prevention, Medicare Advantage, One Step. So, again, we're trying to think differently about how our product and how the market, either through partners or our core bread and butter product, really goes towards certain segments. Strategically, we also went after some different accounts. So we went at certain accounts that were a certain size. Type, where they operate a certain way. Manufacturing, production, etcetera. So we tried to really make sure that our product, digital health being kind of how we engage people remotely, would fit with people and how their segments were, their employer segments were, etcetera. So one was really a detailed approach about the clients we were targeting. Two was the partners that we brought on to our product. And three is how we actually went to market to win.

Theodore Rudd O'Neill: Okay. And then talking about federal and state interest in DarioHealth, is that as a customer, does that present some more unique challenges compared to your successes here in the commercial side?

Steven C. Nelson: Yeah. Not necessarily. If you know, the details of what the government has actually released fits with what we're doing. So one of the things actually I didn't cover in your first question was how we went to market with really a value-based light offering. We have a milestone-based payment model now we went out regarding clinical milestones being met in order for us to get paid. And that really kind of proves that we're getting after clinical metrics, clinical data, claims data to kind of get paid with the client. So it's a better ROI model. That's more appealing to government-sponsored plans, which also fits well with Medicaid, Medicare plans, etcetera. And for us, doesn't present a challenge as long as they can get out of each other's way. And appropriate budgets effectively. We feel pretty good with where we sit right now with a couple of initiatives that went out. Maternal health initiatives, some rural health initiatives as well. So some things that occurred that allow us to kind of get back out into the market differently. We worked with those offices on those proposals. Now we're just really waiting on how the government's going to fund them. From the federal down into the states. And I think that you're gonna see some healthcare funding. I think once they get out of their own way, healthcare is a hot topic right now on no matter which side of the house you're on. No pun intended. I think that at the end of the day, we'll have some offerings that were a good product fit for them.

Theodore Rudd O'Neill: Okay. Thanks very much.

Operator: We have a question from David Grossman from Stifel. Your line is open.

David Grossman: Hi, guys. This is Aiden on for David. Are you able to hear me?

Erez Raphael: Yes. We can hear you.

David Grossman: Okay. Great. Sorry about that. I had some technical difficulties. But I wanted to ask on the new client wins, 45 already for the year, exceeding the target. Has anything changed in your approach for go-to-market? And what's resonating with these new clients?

Steven C. Nelson: I mean, our first biggest thing that I noted on the script, and obviously important for the market to note, is we doubled down with some of our key channel partners. And our channel partners really delivered in terms of the market that we're going after, the accounts we're going after, etcetera. So one would be our channel partners. We're a big difference than what we had from wins of last year at the same time. Two is our fit with them. I mean, I know there's a product market fit to the clients, but there's also one with our distribution partners as well. And that also has gone well. From how we're contracted with them to creating win-win agreements to making sure that we meet the needs on how they're reporting, how we engage, etcetera. So one big one would be our distribution channel partners for sure. Then I'd say, secondarily, just how we targeted. We are targeting without getting into the specific strategy and the detail of the strategy. I mean, we're going at it a certain way. We kind of pivoted to make sure that we could win in a differentiated way. Again, I don't want to get into all the

details of that competitively, but I would say that we really thought about it differently, approached it differently, and won. And our channel partners are a big part of that. However, we had some other partnerships as well that weren't channel-specific that were just kind of at the table. Our consultant relationships that came through a couple of new ones that have been really favorable for us as well. And I'd say also a couple of different segments that we dipped into. We were dipping into the TPA segment for the first time in a while. We now have a PBM relationship for the first time. So we have some other different market segments that aren't channel partners but are good partners to go to business with. We're seeing some uplink in those as well.

David Grossman: Great. Thanks for that. And then just a follow-up on the 45 new clients. You guys had said that 50% are taking multi-condition offerings. I think last quarter, that number was around 80%. So is that just client mix? Anything changed there with clients taking less of a multi-condition approach?

Steven C. Nelson: No. I mean, most of that was driven specifically off of our channel partners. Some of our channel partners have more than, you know, have one condition right now. They gave us a chance to have one condition. In the market, not necessarily two. We've proven out that we can win now with them, and so they're giving us a chance to have more products through their channel partnership. And so, some of their channel partners were multi. A couple of the larger ones that drove care through their channel partnership only had one condition. So the uptake just watered down our 80 to fifty. But, candidly, I think if we get in with these clients and see what we can do to grow them and upsell them and cross-sell them into what we have, I feel pretty confident about that. So I know that it came down in terms of 50. I'd say 50 as a multi-condition platform is still pretty substantial. Again, our value proposition is really relevant here. I'd be remiss not to cover it, which is, no matter what condition you're engaged into in our platform, it's the same price. So the investment of the ROI, return on investment, the investment side for clients is the same. And that gives us a chance to go to market and win differently. And so we've let them capture that and really send that in the market and our product market fit and win. So while that's come down, in terms of more than one, we're still really happy that we have 50 plus or more.

Erez Raphael: Just one reminder. When we reported last time, I think that we were in 23 or 25 accounts. So the sample was relatively low, and now we are looking into 45. And in 45, the number now percentage-wise is 50%. So I think that given where the market is and where the market is going, 50% of clients that are signing for multi-condition shows a very consistent trend that the market is consolidating for sure.

David Grossman: Great. Thanks, guys.

Operator: There are no questions at this time. This concludes today's conference call. You may disconnect your lines. Thank you for participating, and have a wonderful day.