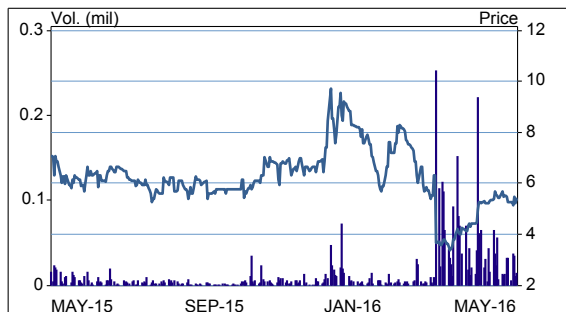


May 9, 2016

**Digital Diabetes Management; Initiating Coverage at Buy and \$12 Target**

Stock Data		05/06/2016		
Rating		Buy		
Price		\$5.40		
Exchange		NASDAQ		
Price Target		\$12.00		
52-Week High		\$5.42		
52-Week Low		\$0.17		
Enterprise Value (MM)		\$24		
Market Cap (MM)		\$28		
Public Market Float (MM)		40.1		
Shares Outstanding (MM)		5.1		
3 Month Avg Volume		150,570		
Short Interest (MM)		0.05		
Balance Sheet Metrics				
Cash (MM)		\$2.67		
Total Debt (MM)		\$0.00		
Total Cash/Share		\$0.92		
Book Value/Share		\$(0.03)		
EPS Diluted				
Full Year - Dec		2015A	2016E	2017E
1Q		(0.08)	(0.38)	(0.32)
2Q		(0.07)	(0.39)	(0.26)
3Q		(0.05)	(0.39)	(0.22)
4Q		(0.04)	(0.38)	(0.17)
FY		(0.21)	(1.53)	(0.94)
Revenue (\$M)				
Full Year - Dec		2015A	2016E	2017E
1Q		0.1	0.6	1.6
2Q		0.2	0.8	2.3
3Q		0.3	1.0	2.8
4Q		0.3	1.1	3.3
FY		0.8	3.5	10.0



**Driving digital health diabetes solutions—initiating at Buy.** We are initiating coverage of LabStyle Innovations Corp., an emerging digital health company focused on the monitoring and management of diabetes, with a Buy rating and 12-month price target of \$12.00 per share. The company has developed an integrated system to: (i) enable diabetics to continuously monitor their blood glucose levels; (ii) generate real-time data using smartphone interface capability with both iPhone and Android devices; and (iii) compile databases that can permit broad-based analysis of user behavior in order to optimize disease management. This approach, the Dario™ Smart Diabetes Management Solution, is the only product currently available that combines a multi-feature software application ("app") with a pocket-sized, combinatorial blood glucose monitoring device called the Dario™ Smart Meter.

**Risk-mitigation from regulatory approval.** LabStyle has obtained approval for the Smart Meter in both the United States—via 510(k) certification from the FDA—and in several ex-U.S. countries, including the United Kingdom, the Netherlands, Canada, New Zealand and Australia. Currently, the company is in the process of ramping up sales of the Dario™ Smart Meter, including the disposable test strips that constitute the principal revenue driver through a "razor/razor blade" model. Going forward, LabStyle aims to leverage its strengths in the blood glucose monitoring system (BGMS) sector to begin generating revenue primarily through software sales and data monetization. However, we conservatively model only test strip sales.

**Dario™ demonstrates differentiation in diabetes management.** We consider LabStyle a leader in the digital health sector, and note that LabStyle's solution is the only one that captures real-time data, as it connects via the audio jack to smartphones without syncing through Bluetooth. Furthermore, the Dario device is one of very few that is compatible with all smartphone platforms, as well as a multi-functional user interface. Data from three validating clinical studies has also confirmed that the Dario™ Smart Meter adheres to the ISO: 15197:2013 guidelines for glucose measurement devices.

**Significant and rapidly-growing market opportunity.** The mobile health (mHealth) app market is estimated at \$10B worldwide, with 15% year-over-year growth slated to drive this niche to \$31B annually by 2020, according to Research2Guidance. The BGMS market may grow to \$24.6B annually by 2020, according to researchandmarkets.com. Total U.S. diabetes care costs exceed \$250B annually. Nearly 400M people may suffer from diabetes globally. Based on sales projected in type 1 diabetes (only 5% of the total diabetes population), we believe that LabStyle could generate peak annual Dario™ product sales (based only on test strips) of roughly \$90M.

**Valuation methodology.** We utilize a discounted cash flow (DCF)-based approach to value LabStyle's shares. Our analysis, which involves a 12% discount rate, 25% effective tax rate (based on the Israeli statutory corporate tax rate, since LabStyle is an Israel-domiciled firm), and 60% manufacturing and marketing offset, yields a net present value of \$90M. Factoring in the projected cash position of \$8.5M as of mid-2017, based on projected warrant exercises, we derive a total firm value of \$98M, which translates into \$12.00 per share given 8M shares outstanding.

## Investment Thesis

LabStyle Innovations Corp. is an emerging digital health company focused on the commercialization of the Dario™ diabetes management system for use in diabetic patients. This platform comprises a patented and proprietary technology providing consumers with laboratory testing capabilities involving smartphones and other mobile devices. The Dario™ Smart Diabetes Management Solution is a mobile, real-time, cloud-based glucose monitoring system available on both iPhone and Android smartphones that combines a multi-feature software application (“app”) with a pocket-sized, integrated blood glucose monitoring device called the Dario™ Smart Meter. The Dario™ Smart Diabetes Management Solution is targeted at the mHealth app market, currently estimated at \$10 billion with expected growth of 15% to \$31 billion by 2020 according to Research2Guidance. In addition, the firm is also focusing on the global diabetes care devices market for blood glucose monitoring systems (BGMS), which is expected to reach \$24.6 billion by 2020 according to researchandmarkets.com. Diabetics manifest an inability to adequately maintain glucose homeostasis. In order to achieve continuous blood sugar control, many patients must self-monitor their blood glucose levels using home testing kits (called glucose meters) and treat high and low blood sugar episodes accordingly to avoid disease complications. We believe that LabStyle—by allowing patients to properly monitor the disease, provide actionable insights in real-time and providing an online link to healthcare providers—could ultimately improve patient outcomes and reduce healthcare costs.

The Dario™ Smart Meter connects via a device’s audio jack and consists of a lancet (to obtain a blood sample), a device-specific disposable test strip cartridge, and a smart mobile device-driven glucose reader adaptor. Roughly the size of a pack of gum, the Dario™ Smart Meter has the potential to replace standalone glucose meters and their kits (lancing, lancets and strips vials) which are the current market standard, most of which have the necessary testing components separated from one another in what we believe is a cumbersome design. Moreover, all but a few glucose meters lack an interface with a smart mobile device, and none presently have the software features associated with Dario™, each of which we believe could serve to distinguish Dario™ as an alternative in the marketplace. The company’s business strategy focuses on three levels: (i) the sale of disposable test strips to consumers; (ii) the Dario Care solution, which enables users to finely control their glucose monitoring and self-care; and (iii) data monetization, in which the company may aim to extract revenue from reimbursement agencies and insurance plans by selling them access to its database, which contains real-time data concerning the behavior of diabetics using its monitoring system.

We are initiating coverage of DRIO with a Buy rating and a 12-month price target of \$12.00 per share, based on a discounted cash flow-based net present value (NPV) methodology. Given the firm’s emerging growth status and the existence of established competitors, an investment in LabStyle may entail significantly above-average risk and volatility. In our view, the Dario™ platform may drive LabStyle to sustainable profitability. The table below depicts potential future company milestones. Bolded items represent events that we consider particularly critical stock catalysts.

**Table 1: Near-Term Catalysts and Upcoming Events**

Event	Timing
<b>Completed</b>	
510(k) approval of Dario™ Diabetes Management System by U.S. FDA	4Q15
Up-listing to NASDAQ accompanied by reverse split and equity financing	1Q16
<b>Anticipated</b>	
<b>Launch of Dario™ Diabetes Management System in U.S. market</b>	<b>1H16</b>
Initial distribution agreements in U.S.	Early to mid-2016
Continued rollout of Dario™ system in ex-U.S. territories, including Europe	2016 / 2017
<b>Potential data monetization through contracts with payer entities in U.S. market</b>	<b>Late 2016 / Early 2017</b>
Revenue mix evolution to include higher contribution from Dario™ Care	2017 - 2018
Cash flow breakeven status	Late 2018
<b>Achievement of sustainable profitability based on Dario™ sales</b>	<b>Early to mid-2019</b>

Source: Company reports and Rodman & Renshaw estimates.

## Investment Highlights

### 1. Company snapshot

LabStyle Innovations Corp. is an emerging digital health company founded in 2011. The firm is headquartered in Israel and incorporated in Delaware, with a U.S. commercialization center based in Boston. LabStyle's core focus is the development and commercialization of novel blood glucose monitoring systems, exemplified by its patented and proprietary Dario™ platform. This comprises a cloud-based software application ("app"), the Dario™ Smart Diabetes Management Solution, which provides an interface compatible with both iPhone and Android smartphones, along with a novel blood glucose monitoring system (BGMS) device—the Dario™ Smart Meter—that combines a lancet, disposable test strip cartridge and a smart mobile device-driven glucose reader adaptor into a seamless and portable glucose monitoring solution. The firm has significant expertise in user engagement through the deployment of its software app.

**Figure 1: Dario™ Smart Meter Components**



Source: Company reports.

Thus far, LabStyle has successfully completed the initial launch of its Dario™ platform in the United Kingdom, Israel, Australia, South Africa, the Netherlands, New Zealand, and Canada. In Australia and Canada, the product has reimbursement status, while in the Netherlands and New Zealand it is classified as a private, out-of-pocket offering. In December 2015, LabStyle obtained 510(k) certification for the Dario™ Diabetes Management Solution from the U.S. FDA. In our view, the formal regulatory approval of the Dario™ platform in the U.S. constituted a major milestone for the company.

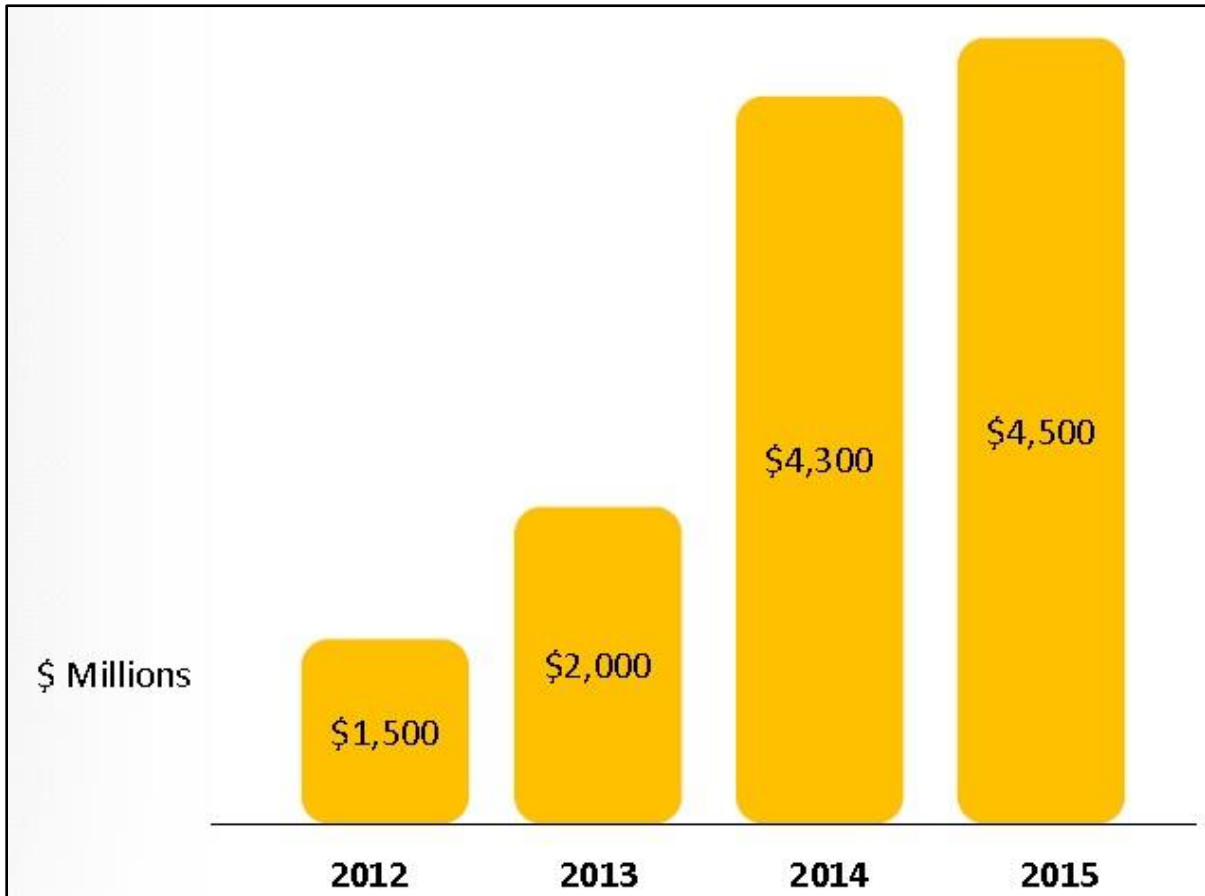
The company is planning to stimulate U.S. market demand for the product through a digital direct-to-consumer campaign, and is aiming to distribute via its own e-store and Amazon.com. Third party distribution channels may, in our view, come online during the first half of 2016. The company also intends to continue to pursue broadening its market reach via distribution agreements with national and regional durable medical equipment (DME) and pharmacy chains. We also note that LabStyle is currently involved in a pilot study with Maccabi Healthcare Services, an Israeli health maintenance organization (HMO), which is aimed at validating the Dario Care platform. This uses the Dario™ monitoring system within the context of a comprehensive digital suite in order to provide remote-based proactive care solutions. The Maccabi pilot trial has been running since January 2015.

Finally, LabStyle intends to expand its product offerings in three main areas: (i) Dario™ Lite, a less expensive version of its BGMS system that includes the same blood glucose meter as the standard Dario™ product, a 50-strip vial holder, and excludes a lancing device; (ii) next-generation versions of the Dario™ app that target other smartphone models running the Android operating system that may not be widely-available in Western countries; and (iii) test strip packaging in vials containing 50 strips vs. the existing packages that contain 25 strips each. LabStyle believes that these offerings may enable the company to penetrate additional, more cost-sensitive markets.

**2. Substantial market niche in blood glucose monitoring systems (BGMS) and digital health**

The digital health domain has attracted progressively greater amounts of funding in recent years, reflecting the popularity of the segment within which LabStyle operates and the potential for further utilization of these kinds of technologies going forward, as progressively greater emphasis is placed upon patient monitoring and real-time gathering of medical data.

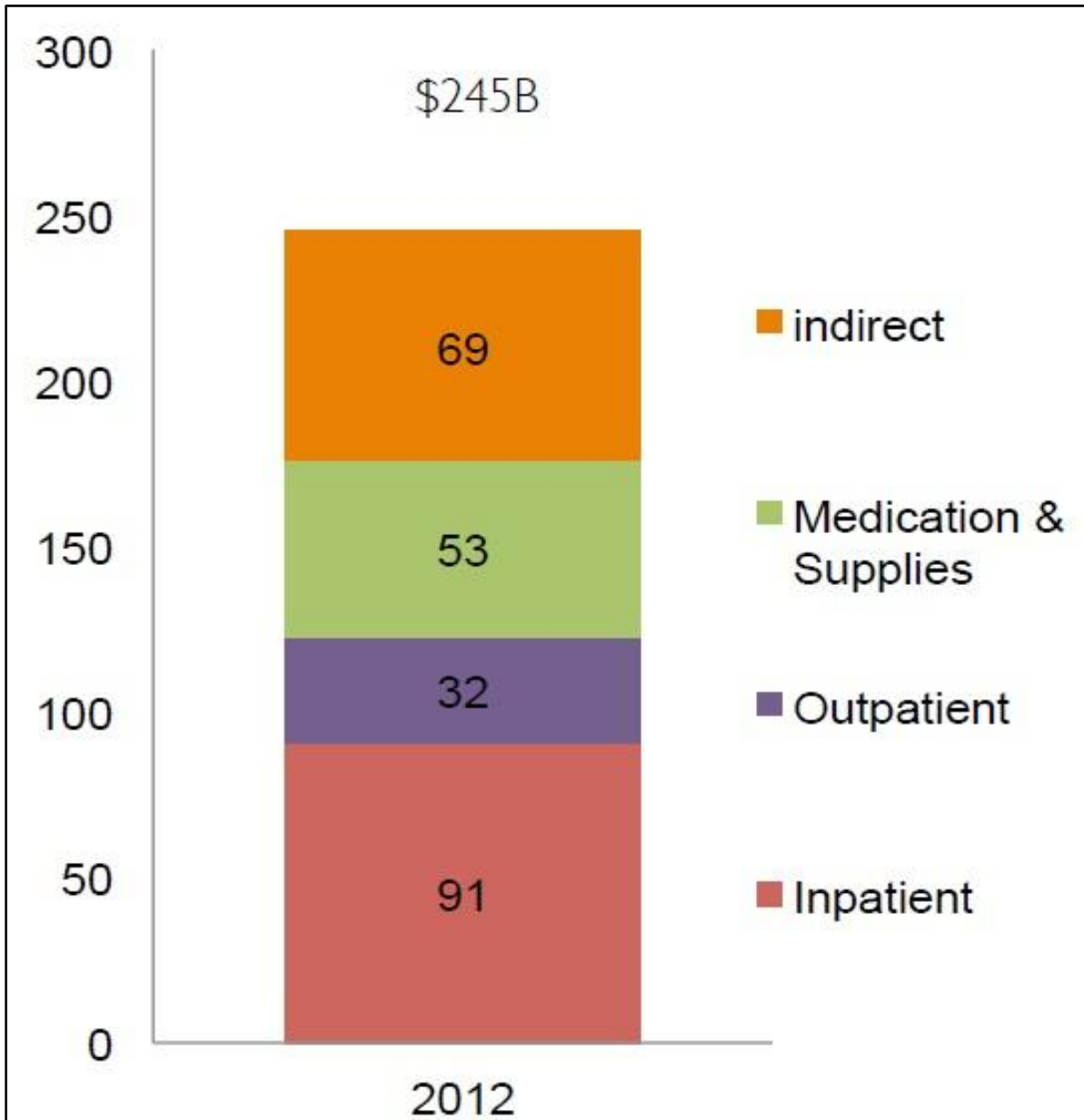
**Figure 2: Growing Investment in Digital Health Solutions**



Source: Rock Health (2016).

Within the context of digital health overall, we believe that LabStyle constitutes a particularly favorable investment opportunity given the context of its positioning within the domain of glucose self-monitoring. In our view, the potential upside for the Dario platform in BGMS applications is considerable given the large size of the market and the pandemic nature of diabetes as a disease. We note that the platform is applicable in both type 1 and type 2 diabetics, although we expect type 1 diabetics to represent higher strips-per-user utilization rates because of their need to monitor blood sugar more frequently. As shown below, the cost of diabetes care can be stratified into several different areas, but in 2012 had already reached \$245 billion in the U.S. alone.

**Figure 3: U.S. Cost of Diabetes Care**



Source: National Institutes of Health.

We note that roughly 387 million people are estimated to suffer from diabetes globally, and that another 180 million individuals may have diabetes but currently go undiagnosed. The total number of diabetics is projected to reach 592 million globally by 2030, according to the IDF Diabetes Atlas.

### 3. Validated utility established via clinical evaluation

From our perspective, one of the most attractive aspects of the LabStyle investment thesis involves the significant amount of clinical evaluation that has been performed with the Dario solution, validating this approach. The Dario™ platform had received the CE Mark certification in September 2013. LabStyle subsequently announced the receipt of 510(k) certification from the FDA for the U.S market in December 2015 for the Dario™ platform on the iPhone operating system.

LabStyle has conducted three validating clinical studies in order to confirm the Dario system's ability to conform to a detailed set of standards established by the International Organization for Standardization (ISO), based in Switzerland, which has issued formal guidelines for blood glucose meters. This set of standards is designated ISO: 15197. It was first introduced and implemented in 2003 and then updated in 2013. Manufacturers of blood glucose meters have been notified that their devices must conform to the updated 2013 parameters by the end of May 2016.

These ISO standards encompass a number of different components that need to be met. The 2003 ISO standards included system accuracy and user performance components, while the new 2013 ISO standards included additional components such as evaluation of the clarity and practicality of user instructions and the influence quantities of potentially interfering substances. System accuracy requirements are carried out by comparing blood glucose results of meters against the glucose level provided by a laboratory measurement. The YSI 2300 STAT Plus glucose analyzer is able to perform the laboratory measurement. The user performance evaluates the accuracy when the testing is performed by patients. The evaluation of instructions for use is designed to evaluate whether the instructions for the meter are clear enough. The influence quantities of interference substances assess whether the meter can perform effectively for testing blood that has different levels of substances that could interfere with the result of the test. A total of 24 potential interfering substances are listed by the ISO 2013 standards; these include hematocrit levels (the volume of red blood cells in the blood), cholesterol levels and levels of common drugs such as ibuprofen. Currently, blood glucose meters need to meet the 2003 guidelines, which state that 95% of blood glucose results should be:

- Within  $\pm 0.83$  mmol/L of laboratory results at concentrations of under 4.2 mmol/L
- (Within  $\pm 15$  mg/dl of laboratory results at concentrations of under 75 mg/dL)
- Within  $\pm 20\%$  of laboratory results at concentrations of 4.2 mmol/L (75 mg/dL) or more

As mentioned above, in 2013 new, tighter accuracy standards (ISO: 15197:2013) were drawn up, requiring that 95% of blood glucose results should reach the following standard:

- Within  $\pm 0.83$  mmol/L of laboratory results at concentrations of under 5.6 mmol/L
- (Within  $\pm 15$  mg/dl of laboratory results at concentrations of under 100 mg/dL)
- Within  $\pm 20\%$  of laboratory results at concentrations of 5.6 mmol/L (100 mg/dL) or more

The 2013 guidelines also now stipulate that 99% of readings must fall within zones A and B of the Consensus Error Grid for type 1 diabetes. LabStyle's two U.S. clinical validation studies, described in greater detail herein, both showed that Dario™ met the stringency levels set in the 2013 guidelines. In March 2015, as part of its preparation for regulatory submissions in U.S. and Canada, LabStyle announced positive results from a user performance study performed in Remington Davis Clinical Research in Columbus, OH, evaluating the accuracy of blood glucose level results and the ease of use of the Dario™ device by the first time user. The study included 368 participants with varying demographic characteristics. The primary purpose of the study was to demonstrate the accuracy of the Dario™ system vs. the reference standard. Other objectives were: (1) to evaluate how the first time users of the Dario™ use it under the Dario™ guidance materials; (2) to understand the potential weaknesses and introduce methods of overcoming them; and (3) to confirm the proposition that lay users can operate the device. Accuracy for the Dario™ system again met ISO 15197:2013 criteria, as 96.7% of values were well within the ISO reference limits. In November 2015, another User Performance evaluation study was completed at the University of Colorado, Barbara Davis Center for Diabetes in Aurora, Colorado, USA, to evaluate the accuracy of blood glucose level results and to

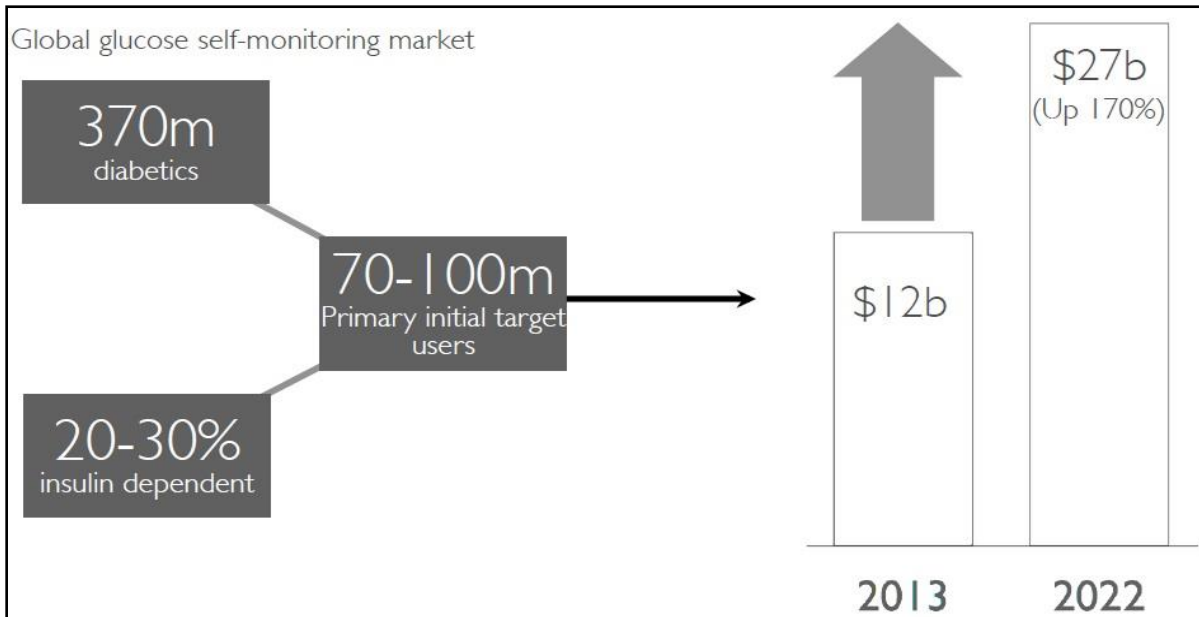


evaluate the ease of use of the Dario™ device by the first time user. The study included 100 participants, again with varying demographic characteristics. Results were highly favorable; accuracy for Dario™ met ISO 15197:2003 criteria, with 99% of values obtained within the ISO reference limits. The FDA only requires meeting the ISO 15197:2003 standard; the results from this study also reflected compliance with the more stringent ISO 15197:2013 standard. In this trial, 95% of the users reported 'Good' or 'Very Good' operation of the meter by the subject. In all User Performance studies to date, lay subject performance assessment of the Dario™ system's instruction clarity and usefulness showed that 100% successfully obtained a measurement result.

In June 2013, LabStyle completed a required user performance evaluation study to evaluate the accuracy of blood glucose level results obtained from fingertip using Dario™ compared to reference equipment (YSI 2300 STATPLUS) and to evaluate the ease of use of the Dario™ device by the first time user. This study was in connection with the firm's European regulatory submissions and was performed in Israel. It included 230 participants, aged 8 – 80 years, with diabetic conditions showing varying degrees of severity. The subjects were recruited from three different sites: the diabetes clinic at Wolfson Medical Center in Tel Aviv, Hertzelia Medical Center in Hertzelia and from the Diabetic Medical Center (DMC) in Tel Aviv. As required by Israeli law, the study was confirmed by a local ethical committee. The purpose of the study was to showcase the accuracy of the Dario™ platform vs. the YSI reference device and to evaluate how first-time Dario™ users: (1) use it under minimal guidance materials (i.e., quick user guide and iPhone App) in an effort to demonstrate how the use of the Dario™ device and related software could potentially improve patient care and diabetic compliance; (2) understand the potential weaknesses of the device and introduce methods of overcoming them; and (3) can operate the device compared to other devices on the market. Results were highly favorable: for the blood glucose levels results above 75mg/dL, 96.2% of the patients met the minimum acceptable accuracy as described in the ISO 15197:2003. For the blood glucose levels results below 75mg/dL, 100% of the patients met the minimum acceptable accuracy as described in the ISO 15197:2003. Over 95% of the patients indicated that the Dario™ was easy to use, understood training materials and rapidly learned to use the iPhone app associated with the device.

In our view, the Dario™ platform's ease of use and accuracy in three clinical studies conducted across multiple geographies represents highly convincing evidence that this product could achieve significant success in the global glucose self-monitoring system market, which as shown below is likely to experience rapid growth in the coming years.

**Figure 4: Global Glucose Self-Monitoring Opportunity**



Source: Decision Resources.

## Valuation

The 12-month price target of \$12.00 per share for LabStyle is driven by a discounted cash flow-based net present value (NPV) approach. We applied a 12% discount rate to modeling the contribution from the Dario™ platform, since this product utilizes a tried-and-tested methodology for glucose monitoring (i.e., real-time measurement via blood sampling with a glucometer) and given the fact that the system has already obtained regulatory approval via the 510(k) route in the U.S. and has also been launched in several other countries. We have utilized an effective tax rate of 25%, which is the prevailing corporate tax rate in Israel. We have assumed that LabStyle would continue to commercialize the Dario™ platform independently, mainly through the use of a combination of commercialization strategies including direct-to-consumer campaigns, e-store and online sales and partnerships with distributors. Our projected cash position of \$8.5 million and roughly 8 million shares outstanding as of mid-2017 takes into account the exercise of roughly 1.6 million warrants with weighted exercise prices averaging \$4.75 per share. In our view, these warrants are the most likely to be exercised within the next 12 months given the fact that they all expire between 2016 and 2018.

**Table 2: Risk-Adjusted NPV-Based Valuation Methodology—Dario™ Platform**

<b>Dario™ Diabetes Management System—Global Market</b>	
Total type 1 diabetic patients <sup>1</sup>	63.5MM
Patients likely to utilize device <sup>2</sup>	3.5MM
Peak market share <sup>3</sup>	6.6%
Revenue/patient/year <sup>4</sup>	\$400
Peak sales <sup>5</sup>	\$97MM
Launch <sup>6</sup>	2013 / 2015
Peak sales year	2024
Protection expires <sup>7</sup>	2031
Discount rate <sup>8</sup>	12%
Estimated NPV <sup>9</sup>	\$90MM
NPV per share	\$12.00
Estimated Net Cash Position (\$MM; mid-2017)	\$8.5MM
Total firm value	\$98MM
Shares Outstanding (MM; mid-2017)	8MM
Present value-derived price target	\$12.00
<b>Notes on assumptions:</b>	
<sup>1</sup> All patients with diabetes (Source: National Institutes of Health; European Diabetes Epidemiology Group)	
<sup>2</sup> Patients likely to continuously self-monitor glucose (in this model, type 1 diabetics only) (Source: Rodman & Renshaw estimates)	
<sup>3</sup> Peak market share - blended; factoring in competition from other marketed glucose monitoring systems	
<sup>4</sup> Revenue/patient/year - projected at \$400 per year (average across both U.S. and Europe) based on test strips; 3% annual price increases	
<sup>5</sup> Peak sales - treatment revenue/year x treated patients x peak market share	
<sup>6</sup> Launch under way in Europe; U.S. approval under 510(k) received in late 2015	
<sup>7</sup> Generic entry starting in 2030; extensions and trade secrets may provide additional protection	
<sup>8</sup> Discount rate - based on well-defined market niche, significant unmet need and likelihood of rapid uptake	
<sup>9</sup> Cash flow fully taxed at 25% following launch; net operating loss carry-forwards may offset tax liability near-term	

Source: Company reports and Rodman & Renshaw estimates.

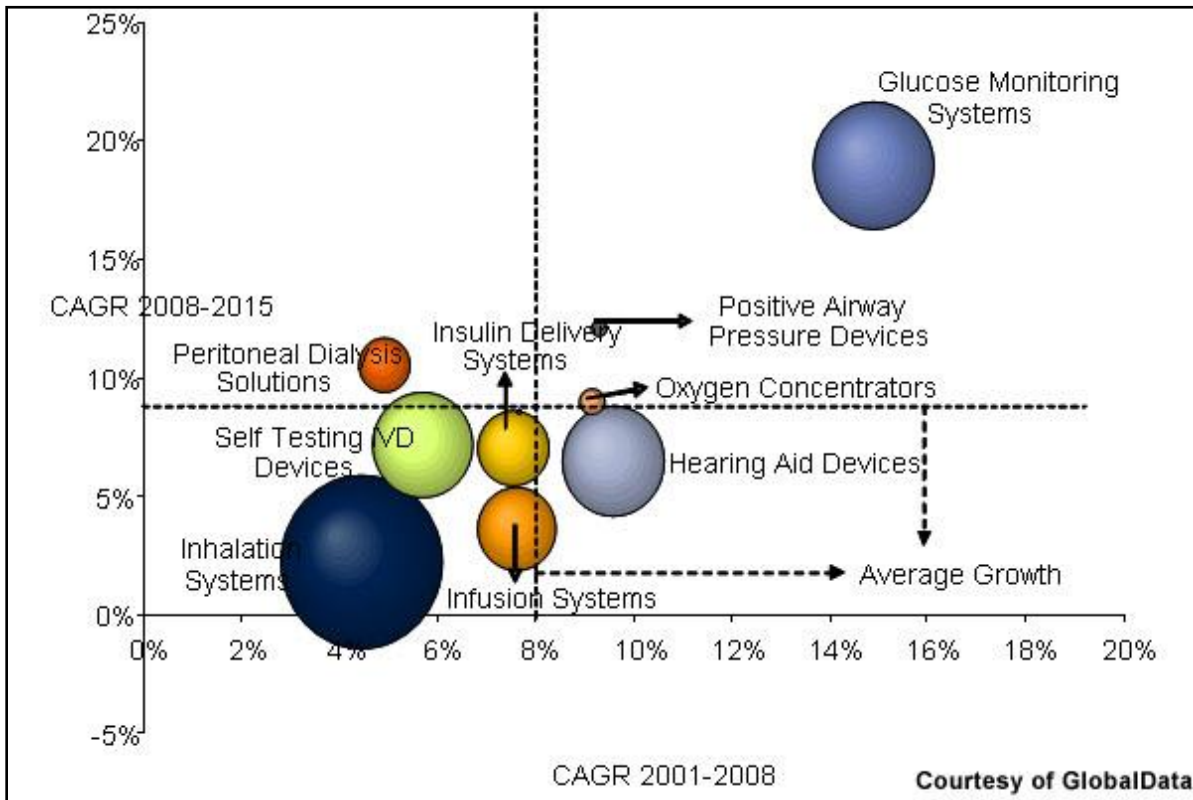
In our view, the assumptions underlying our valuation are conservative for several reasons. First, we are only modeling sales of the Dario™ diabetes management system in type 1 diabetics, while clearly the concept is applicable for type 2 diabetics as well. We have taken this approach because continuous blood glucose monitoring is considered far more critical for type 1 diabetics, who are generally dependent upon insulin administration, and therefore these patients should be considered the likeliest early adopters of the Dario™ system. Second, we maintain a manufacturing and marketing offset of 60%, which reflects operating margins on the test strips rather than the software. Finally, we do not currently include any revenue from the data monetization component of the company's revenue generation model, since there are not yet any customers paying for this service.



### Dario™ Platform Market Model

We have modeled Dario™ sales in developed economies only. In our view, the firm must seek commercialization partners in emerging markets so as to sell its products in those territories; while such partnerships could materialize in the future, we conservatively do not project revenue contributions from non-developed territories at all. The firm would make money mainly on the strips (a “razor/razorblade” model). The continuous blood glucose monitoring market has sustainably shown considerable growth vs. other medical device and monitoring markets, as shown in the figure below:

**Figure 5: Relative Growth in Various Diagnostic / Device Market Segments**



Source: GlobalData.

For the purposes of modeling, we have assumed pricing in the \$230 – 460 range at steady-state for the Dario™ solution based solely on the cost of the disposable strips. Our projections involve an estimate of four strips utilized per patient per day, with an average cost per strip starting at \$0.25. This equates to \$360 per user annually. We project that pricing in Europe is likely to be somewhat lower, at about \$0.16 per strip. Our model utilizes annual price increases of 3% to account for inflation. We note that even these relatively modest assumptions yield a revenue contribution of \$10 million per group of 11,000 users. Test strips from other manufacturers have been priced above \$1 per strip. In our model, we have furthermore assumed very low penetration rates for the Dario™ platform, which we believe to be conservative given the platform’s ergonomic advantages vs. existing continuous blood glucose self-monitoring systems and the relatively rare smartphone-based apps that it competes against. We have also only modeled penetration of the Dario™ system into the type 1 diabetes patient population, since it is this segment of the diabetes market that is wholly insulin-dependent. However, there could well be utilization within the type 2 market, which is not currently reflected in our model. These assumptions lead us to derive a peak sales estimate of roughly \$70 million in the U.S. and \$30 million in ex-U.S. markets, achievable in the 2023 – 2024 timeframe. We note that these assumptions do not reflect the potential of revenue from software downloads or data monetization and therefore may be conservative, since the gross margins on the software and database access revenue streams could significantly exceed those on the test strips.

**Table 3: Dario™ Market Model in Blood Glucose Monitoring (2016 – 2030)**

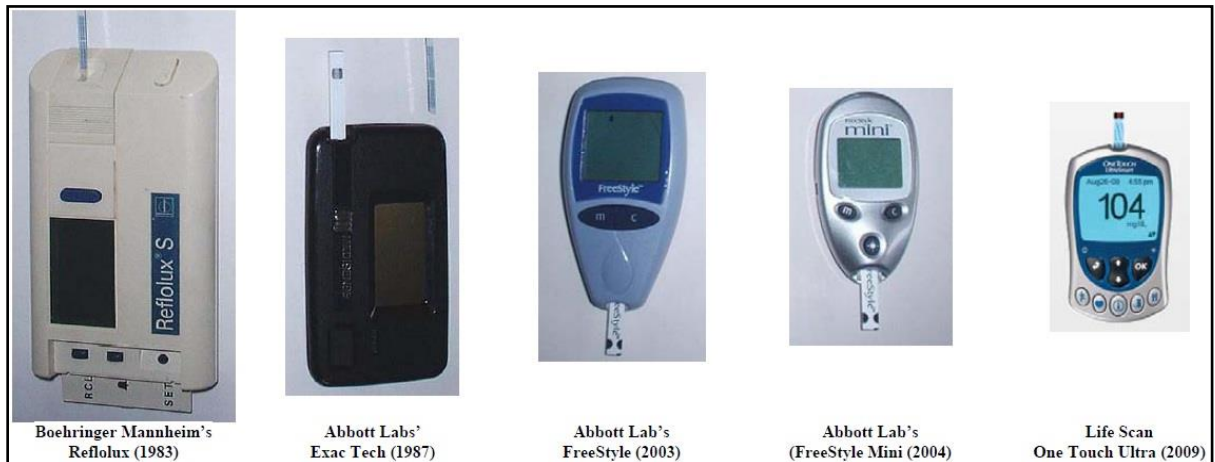
<b>U.S. market</b>															
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total patients with diabetes	27,032,650	27,302,977	27,576,006	27,851,766	28,130,284	28,411,587	28,695,703	28,982,660	29,272,486	29,565,211	29,860,863	30,159,472	30,461,067	30,765,677	31,073,334
<i>Patients with Type 1 diabetes (5%)</i>	1,486,796	1,556,270	1,585,620	1,615,402	1,631,556	1,647,872	1,664,351	1,680,994	1,697,804	1,714,782	1,731,930	1,749,249	1,766,742	1,784,409	1,802,253
Penetration % (Type 1 diabetes only)	0.3%	0.9%	1.8%	3.1%	4.7%	6.3%	7.2%	8.1%	8.9%	6.6%	5.1%	3.8%	2.7%	1.5%	0.9%
Patients treated (Type 1 diabetes only)	4,460	14,006	28,541	50,077	76,683	103,816	119,833	136,161	151,105	113,176	88,328	66,471	47,702	26,766	16,220
Cost per strip (\$)	\$0.25	\$0.26	\$0.27	\$0.27	\$0.28	\$0.29	\$0.30	\$0.31	\$0.32	\$0.33	\$0.34	\$0.35	\$0.36	\$0.37	\$0.38
Revenue per patient annually	\$365	\$376	\$387	\$399	\$411	\$423	\$436	\$449	\$462	\$476	\$491	\$505	\$520	\$536	\$552
Annual sales (\$MM)	2	5	11	20	32	44	52	61	70	54	43	34	25	14	9
<b>RoW (developed countries - mainly Europe)</b>															
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total patients with diabetes	31,623,100	31,939,331	32,258,724	32,581,312	32,907,125	33,236,196	33,568,558	33,904,243	34,243,286	34,585,719	34,931,576	35,280,892	35,633,701	35,990,038	36,349,938
<i>Type 1 diabetes (5%)</i>	1,581,155	1,628,906	1,677,454	1,726,810	1,776,985	1,794,755	1,812,702	1,830,829	1,849,137	1,867,629	1,886,305	1,905,168	1,924,220	1,943,462	1,962,897
Penetration % (Type 1 diabetes only)	0.5%	1.2%	3.1%	4.7%	5.8%	6.2%	6.5%	6%	4.9%	3.2%	2.4%	1.7%	0.8%	0.6%	0.3%
Patients treated (Type 1 diabetes only)	7,906	19,547	52,001	81,160	103,065	111,275	117,826	109,850	90,608	59,764	45,271	32,388	15,394	11,661	5,889
Cost per strip (\$)	\$0.16	\$0.16	\$0.17	\$0.17	\$0.18	\$0.19	\$0.19	\$0.20	\$0.20	\$0.21	\$0.22	\$0.22	\$0.23	\$0.23	\$0.24
Revenue per patient annually	\$234	\$241	\$248	\$255	\$263	\$271	\$279	\$287	\$296	\$305	\$314	\$323	\$333	\$343	\$353
Annual sales (\$MM)	2	5	13	21	27	30	33	32	27	18	14	10	5	4	2
<b>Total WW Sales (\$MM)</b>	<b>3</b>	<b>10</b>	<b>24</b>	<b>41</b>	<b>59</b>	<b>74</b>	<b>85</b>	<b>93</b>	<b>97</b>	<b>72</b>	<b>58</b>	<b>44</b>	<b>30</b>	<b>18</b>	<b>11</b>

Source: National Institutes of Health (NIH), European Diabetes Epidemiology Group, Rodman & Renshaw estimates.

## Blood Glucose Monitoring Competitive Landscape

From a competitive perspective, four companies currently dominate the blood glucose monitoring system (BGSM) business, controlling approximately 90% of the market: Roche Diagnostics (part of Hoffman-LaRoche), LifeScan (a Johnson & Johnson company), Bayer's Healthcare Division, and Abbott Laboratories. These "big four" offer a wide variety of BGSM products and have led the market since the late 1990s. Numerous second-tier and third-tier competitors, including several in Asia, hold the remaining 10% of the market. The evolution of the devices that have been commercialized by the major players in the BGSM market is depicted in the figure below.

**Figure 6: Blood Glucose Monitoring Device Evolution**



Source: Company reports.

In our view, while the basic design of glucometers has remained unchanged over the years, the ergonomics of blood glucose monitoring systems have evolved substantially. We note that the rise of smartphones has created a "new frontier" in personalized medicine and given birth to the current mobile health solutions (mHealth) market. With roughly 1.5 billion individuals having access to smartphones in 2015, the global reach of smartphone-based health devices is considerable. It is estimated that the mHealth user base could soon comprise up to a third of all smartphone users, driven by access to health-related apps through centralized portals like the Apple Store. Unlike many other Internet- and mobile-oriented businesses, the mHealth sector is not advertising-driven. Rather, it is buttressed by a reliance on data capture, data display and data storage. We believe that LabStyle grasps this and is well-positioned to benefit from this evolution in the mobile health business model.

### Development-Stage Glucose-Monitoring Devices

Other firms have developed stand-alone glucometers that are relatively small, ergonomic, and work with smartphones on the iOS or Android operating system. However, none of these devices combined all three components of the BGSM test kit, and most require the diabetic patient to carry around an additional device besides their smartphone and glucometer. Thus, in our view the Dario™ device is likely to trump these solutions. Further, the combination of cloud-based computing with app-driven devices is innovative and currently unrivaled by any other competitor in this market. We also note that the Dario™ system is a native mobile platform, which connects directly to the smartphone device of the user and which is not subject to wireless control via Bluetooth or any other synchronization approach. Accordingly, Dario™ collects 100% real-time data, which not only provides added value to the user but which can also be utilized to develop applications based on predictive analytics.

Echo Therapeutics is developing a pain-free skin exfoliator and flexible glucose sensor and transmitter. The exfoliator is a painless and significantly enhanced skin permeation solution that gently removes the upper layer of the skin so as to facilitate access of a diagnostic to the deeper layers, which contain blood vessels and analytes of relevance. This combination platform, which also includes a software-based continuous glucose monitoring platform with a unique API, does not utilize a lancet or test strips. As such, it may be considered marginally less invasive than the Dario™ solution.

The Echo solution measures blood glucose through a transdermal electrochemical glucose sensor. Echo is preparing to initiate its CE Mark and U.S. pre-market authorization (PMA) clinical programs for this platform. Since the Dario™ platform did not require a PMA because it is effectively a glucometer-based system—which is considered a validated technology by the FDA—we do not envisage the Echo platform as an immediate competitive threat. In a sense, it is still a first-generation product with the typical risk profile of an early-stage program, since it has to be developed via the PMA route.

C8 MediSensors, Inc. is developing a wearable continuous glucose monitor that synchronizes with a user's smartphone. In a manner analogous to the Symphony iCGM, the C8 MediSensors Optical Glucose Monitor (OGM) measures blood glucose levels without the need for a lancing mechanism or test strips. The device is worn against the skin and provides painless and continuous monitoring of glucose levels with wireless output to a smartphone. The C8 MediSensors OGM has a user-friendly software package and can download data to a smartphone app, but it may be cumbersome to wear—especially for more overweight or corpulent individuals—and is at a relatively early stage of development. Accordingly, we do not think it can shut Dario™ out of the market.

Telcare Medical Supply, Inc. has developed the Telcare BGM device, which offers many of the same features that Dario™ offers, including a sleek device with cloud-based data hosting (called Telserve Hub), syncing to a mobile smart phone, data analysis applications, and an ecosystem that aims to provide test strips and add-on services to the patient. It integrates personalization features, a rechargeable battery, the requirement for only a small blood sample, and rapid results with a coding-free data collection paradigm. However, we believe that the economics are problematic, because the BGM device is really almost a second smartphone. It retails for nearly \$150 and users must purchase the device and carry it around, while the Dario™ product is no larger than a stick of gum and integrates seamlessly into an existing smartphone platform. Dario™, therefore, should be considered more ergonomic and cost-effective than the BGM device.

Sanofi S.A. originally developed the iBGStar®, which is no longer on the market. This device had a dock connector compatible with iPhone or iPod Touch, a micro-USB port for power adapter or connection to a PC, strip port, and display area for test results. The iBGStar® was designed to work with the iBGStar® mobile application available on the iOS platform. The mobile app offered only a small subset of the features and functions of the Dario™ app, allowing for analyses of test results, automatic syncing, tracking data, storage of history data, dynamic graphing, and a share function for family or healthcare. However, the iBGStar® device did not include a lancet, and was only compatible with iOS 4 devices and requires an additional adapter for iPhone 5 devices and above. Furthermore, the device was never compatible with Android phones at all, while Dario™ does not have this issue. The iBGStar® retailed for \$75, while the proprietary test strips cost roughly \$1.30 each. Again, there is a significant cost differential between this device's pricing and the Dario™ platform.

Medisana AG, a firm listed in Germany, has developed GlucoDock®, a very similar product to Sanofi's iBGStar. It has many of the same limitations, including the lack of advanced software and lifestyle integration, such as a food database and insulin dosing recommendations, which Dario™ possesses. GlucoDock® is currently not available in the U.S., but retails in parts of Europe for about €100. This approach, like all the other current competitive entrants, also does not have the ability to collect all data in an entirely real-time manner. Only the Dario™ platform can do this, since it connects directly to the smartphone and is not synced via Bluetooth.

We also note that there are many products available to help maintain records and analyze trends related to diabetes care. Some support a single diabetes tool such as one manufacturer's glucose meter, while others are intended to interface with many manufacturers' products. Some diabetes management software is free to download or can be used on-line, while others are for sale (or shareware). Some are simple and easy to use for a single user, while others have very powerful features that support many users in a clinical setting. However, even within a relatively abundantly populated competitive landscape, we believe that the Dario™ platform stands out and that the recently-obtained FDA approval via the 510(k) pathway should permit LabStyle to commercialize the product effectively in the U.S. market.

## Intellectual Property Portfolio

LabStyle seeks to protect its proprietary position through patents covering use, manufacturing process, or composition of matter for its products. On May 8, 2011, certain of the firm's founders filed Patent Cooperation Treaty (PCT) Application No. PCT/IL2011/000369, titled "Fluids Testing Apparatus and Methods of Use." This PCT took priority from two preceding U.S. provisional applications filed by LabStyle's founders, with the earliest priority date being May 9, 2010. The PCT application was transferred to the company by its founders on October 27, 2011.

This application covers the novel blood glucose measurement device, comprising the glucose meter; and an adaptor that connects the glucose meter to a smart-phone to receive power supply and data display, storage and analysis. Corresponding national applications of this PCT application were filed in November 2012 in the U.S., Europe, and other major territories. LabStyle also filed a Utility Model application in Japan to cover the core Dario™ testing apparatus, which was granted in Jan 2015.

On May 1, 2014, LabStyle announced the receipt of a U.S. Notice of Allowance for a key patent relating to how the Dario™ blood glucose monitor draws power from and transmits data to a smartphone via the audio jack port. This patent was issued in August 2014, and in September 2015, the company was issued a U.S. patent (No. 9,125,549) with additional claims related to body fluids in general. Further, in February 2016 the company was issued a U.S. patent (No. 9,257,038) with additional bodily fluids-related claims. The European patent application corresponding to this family recently received grant notification (Patent No. EP2569622 A2), which we expect to become effective on May 4, 2016. Furthermore, the Israeli application (Patent No. 222908) was also recently allowed. A PCT application (PCT/US15/20545) has been filed covering features related to future Dario™ technologies, including hardware and software developments. In addition, a U.S. (15/050,581) and PCT application (PCT/US2016/019033) were filed, based on an earlier U.S. provisional filing (No. 62/120,058, filed in February 2015), covering additional features related to future Dario™ technologies.

In order to create market distinction and branding for Dario™, three U.S. Design Applications have been filed covering the glucose meter and the cartridge. These applications were granted and registered in the U.S. The company has filed national applications for the cartridge in major territories. In addition, two other families of U.S. design applications have been filed covering the company's smart mobile device display screens with graphical user interface. These applications were granted in several non-U.S. jurisdictions.

The Dario™ device includes a disposable part containing the test strips. In order to protect the disposable component and prevent generic competition, LabStyle has sought several complementary protection means, including recognition of the Dario™ strips by the device as well as for ensuring that the strips are kept in appropriate conditions of humidity and expiry. There are additional design elements used to recognize the cartridge, for which protection is also being sought. LabStyle has also filed several Utility Model applications in several markets.

LabStyle has also registered many trademarks in order to protect the company's brand worldwide. The first family of trademarks protects the Dario™ word mark, which has been filed in 17 countries. The second family protects the "Dario" word and logo, and has been filed in 18 countries. The third family protects the Dario logo only, and has been filed in 18 countries. The fourth family protects the DARIO-LITE wordmark and has been filed in 16 countries.

Finally, we would note that, as the number of Dario™ users grows, large amount of data will be collected from diabetic patients, comprising their blood sugar levels, meal composition and timing, physical exercise (intensity and duration) as well as many other factors, which are useful for creating meaningful correlations between these factors and insulin use. We expect that this database will be highly valuable and may be capitalized in many ways. The accumulation of this type of know-how and related algorithms are protected as trade secrets using specialized confidentiality protocols.

## Management Team

### **Erez Raphael**

Chief Executive Officer, Chairman of the Board

Mr. Raphael has served as CEO of LabStyle since August 9, 2013 and as a director of the company since December 2013. He has served as Chairman of the Board of Directors since November 2014. He previously and since October 2012 served as LabStyle's Vice President of Research and Development. Mr. Raphael has over 20 years of industry experience, having been responsible in his career for product delivery, technology and business development. Prior to joining LabStyle, from 2010 to 2012, Mr. Raphael served as Head of Business Operations for Nokia Siemens Networks, where he was responsible for establishing and implementing a new portfolio business unit directed towards marketing and sales of complimentary products. Prior to that, from 1998 to 2010, he held increasingly senior positions at Amdocs Ltd., where he was ultimately responsible for advising the Chief Technology Officer and implementing matters of overall business strategy. Mr. Raphael holds a B.A. in economics and business management from Haifa University.

### **Zvi Ben-David**

Chief Financial Officer, Treasurer and Corporate Secretary

Mr. Ben-David has served as CFO of LabStyle since January 7, 2015. He has over 25 years of experience in corporate and international financial management, including at both publicly-listed and private companies. Since 2012, he has acted as an independent entrepreneur with, and investor in, various medical device ventures. From 2005 to 2012, Mr. Ben David served as the CFO of UltraShape Medical Ltd., a developer, manufacturer and marketer of innovative non-invasive technologies for fat cell destruction and body sculpting. While with UltraShape, he helped lead the company through \$35 million in private financing, followed by the company's merger with a Tel Aviv Stock Exchange company and ultimately the company's sale to Syneron Medical Ltd. From 2000 to 2005, he served as Vice President and CFO of Given Imaging Ltd., now part of Medtronic, where he was part of the management team that led that company's 2001 initial public offering and 2004 follow-on offering, and served as a director of that company from its establishment in 1998 to 2000. He is a certified public accountant in Israel and holds a B.A. in economics and accounting from Haifa University.

### **Todd Durniak**

Senior Vice President, General Manager U.S. Operations

Mr. Durniak possesses over 20 years of medical device commercial and technical leadership, most recently as the Vice President and General Manager of Neighborhood Diabetes, a division of Insulet focused on delivering insulin supplies through durable medical equipment (DME) and pharmacy channels with a 'high touch' training approach. Prior to Insulet and Neighborhood Diabetes, Durniak spent seven years at Smith & Nephew Orthopedics, most recently as President, Asia Pacific, based in Sydney, Australia. He began his career in engineering with Johnson & Johnson Orthopedics, leaving to start and manage Texas Direct Medical, an orthopedic product distributorship. He later re-joined Johnson & Johnson following its acquisition of DePuy, before joining Guidant immediately prior to its acquisition by Boston Scientific. He holds a B.S. degree in biomedical engineering from the University of Vermont and an M.B.A. from Boston University.

### **Itamar Raz, M.D.**

Head, Scientific Advisory Board

Prof. Raz currently services as the head of the Diabetes Unit of Hadassah Hebrew University Medical Center in Jerusalem, the head of the Israel National Council of Diabetes of the Israel Ministry of Health, the President of D-Cure, a diabetes not-for-profit organization, and the head of the Israel Diabetes Research Group. He also serves as a member of the Scientific Advisory Boards of several major diabetes drug makers, including Novo Nordisk, Astra Zeneca/Bristol-Myers Squibb, Sanofi S.A., Merck & Co., and Eli Lilly & Co. and as a consultant for InsuLine Medical Ltd., Andromeda Biotech Ltd., and Astra Zeneca/Bristol-Myers Squibb. Prof. Raz has published over 260 research papers in the domains of diabetes and glucose monitoring. In 1989, Prof. Raz was appointed Chief Physician of Internal Medicine, and as head of the Diabetes Clinic at Hadassah University Hospital in 1992. He graduated from Hebrew University & Hadassah School of Pharmacy with a Bachelor of Science in 1973. In 1981, he obtained his M.D. degree from Hebrew University & Hadassah School of Medicine and completed his residency at Hadassah University Hospital from 1981 to 1985, specializing in internal medicine.

## Investment Risks

**Financial outlook.** LabStyle has incurred operating losses since its inception and in our view may not achieve profitability near-term. Although the firm has been able to obtain capital in order to fund its operations, it is not known if LabStyle would be able to continue this practice or be able to obtain other types of financing to meet its operating needs. The firm may need to raise additional capital in order to fully support the continued rollout of the Dario™ platform. Given these factors, potential investors should recognize that, in our opinion LabStyle Innovation shares are subject to above-average risk and may experience excessive price volatility.

**Clinical development risk.** Although the business of developing diagnostics is considered somewhat less risky than endeavors to develop new drugs, it is nevertheless still uncertain. If LabStyle cannot achieve commercial traction with its tests, we believe that the company may never become profitable. The future ability of the company to launch additional tests based on its proprietary smartphone-based platform rests upon being able to demonstrate the clinical utility of these tests.

**Regulatory risk.** While LabStyle recently received formal U.S. regulatory approval of Dario™ as a Class II medical device via the 510(k) route, the firm may require additional regulatory agency approvals in the future in other territories. Introduction of additional products or future iterations of the Dario™ platform may require further approvals. Regulatory agency action is inherently unpredictable.

**Competitive landscape.** Several other companies have already developed glucometers for SMBG applications, including Abbott Laboratories, Boehringer Mannheim / Roche Molecular Diagnostics, DexCom, Medtronic, Novo Nordisk and Sanofi S.A. Some of these companies have combined glucose monitoring and insulin dosing into a single device, such as the Novo Nordisk inDuo® system. Several of these solutions also involve smartphone apps. All of these firms are much larger and possess greater resources vs. LabStyle. In addition, LabStyle also competes against development-stage entities such as C8 MediSensors, Echo Therapeutics, Medisana AG and Telcare Medical Supply. These companies are also seeking to bring next-generation glucose monitoring systems to the market. While Dario™ possesses specific unique attributes—including, in particular, cloud-based storage of patient data—we cannot be certain that these can constitute a sustainable competitive advantage.

**Intellectual property risk.** The company relies on patents and trade secrets to protect its products from competitors. The healthcare industry is litigious, and lawsuits are considered to be a normal part of doing business. A court might not uphold LabStyle's intellectual property rights, or it could find that LabStyle infringed upon another party's property rights. In addition, competing diagnostics firms could potentially find loopholes in the firm's intellectual property estate. LabStyle does not possess blocking IP around the use of smartphones and associated apps in continuous blood glucose monitoring.

**Reimbursement risk.** In recent years, reimbursement agencies have grown warier of systematically reimbursing for marginal benefit at excessive cost. If Medicare spending growth continues to outpace GDP growth, and the government's ability to fund healthcare becomes impaired, changes could be made to reimbursement policy that would negatively affect the company's business, despite what we believe to be the compelling value proposition inherent in its digital health technology platform.

**Additional risks.** As of December 31, 2015, LabStyle had about \$2.7 million in cash and equivalents. In March 2016, the firm raised gross proceeds of \$8.5 million in an underwritten offering of stock and warrants. We anticipate that the current cash position should be sufficient to fund operations through the end of 2016. Future sources of cash could include: licensing fees, warrant and option exercises, or issuance of more shares. LabStyle may not be able to raise cash at all.

**Industry risk.** Emerging healthcare stocks are inherently volatile. Meeting or missing commercialization milestones may result in a significant change in perception of the company and its stock price. We do not expect volatility to subside near term.

For additional risk considerations, please refer to the company's SEC filings.



**Table 4: LabStyle Innovations Corp. (DRIO)—Historical Income Statements, Financial Projections**

FY end December 31

\$ in thousands, except per share data

	2015A					2015A	2016E				2016E	2017E	2018E
	2014A	1QA	2QA	3QA	4QA		1QE	2QE	3QE	4QE			
<b>Revenue</b>													
Product revenue	51	67	175	273	308	823	556	799	973	1,147	3,475	9,969	23,939
Service revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Research and other	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total revenue</b>	51	67	175	273	308	823	556	799	973	1,147	3,475	9,969	23,939
<b>Expenses</b>													
Cost of product and service revenue	2,763	297	410	404	567	1,678	695	839	827	803	3,164	5,005	8,599
Research & development	3,943	883	441	667	574	2,565	650	700	750	800	2,900	3,900	5,000
Selling and marketing	1,063	252	262	417	399	1,330	500	550	650	700	2,400	3,450	5,600
General and administrative	3,640	412	574	1,332	630	2,948	800	900	1,050	1,150	3,900	5,100	6,200
<b>Total expenses</b>	11,409	1,844	1,687	2,820	2,170	8,521	2,645	2,989	3,277	3,453	12,364	17,455	25,399
<b>Gain (loss) from operations</b>	(11,358)	(1,777)	(1,512)	(2,547)	(1,862)	(7,698)	(2,089)	(2,190)	(2,304)	(2,306)	(8,889)	(7,487)	(1,460)
<b>Other income/expense</b>													
Interest income/expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation of warrants	2,194	150	(526)	753	194	571	-	-	-	-	-	-	-
Other income/expense	(3,713)	(11)	34	(35)	(3)	(15)	(15)	(15)	(15)	(15)	(60)	(60)	(60)
<b>Total investment income and other</b>	(1,519)	139	(492)	718	191	556	(15)	(15)	(15)	(15)	(60)	(60)	(60)
<b>Gain (loss) before provision for income taxes</b>	(12,877)	(1,638)	(2,004)	(1,829)	(1,671)	(7,142)	(2,104)	(2,205)	(2,319)	(2,321)	(8,949)	(7,547)	(1,520)
Provision for income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Deemed dividend related to exchange agreement	(279)	-	(154)	-	-	(154)	-	-	-	-	-	-	-
Deemed dividend related to Series A preferred stock	(2,899)	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net loss/income</b>	(15,776)	(1,638)	(2,158)	(1,829)	(1,671)	(7,296)	(2,104)	(2,205)	(2,319)	(2,321)	(8,949)	(7,547)	(1,520)
<b>Net loss per share (basic)</b>	(1.85)	(0.08)	(0.07)	(0.05)	(0.04)	(0.21)	(0.38)	(0.39)	(0.39)	(0.38)	(1.53)	(0.94)	(0.13)
<b>Net loss per share (diluted)</b>	(1.85)	(0.08)	(0.07)	(0.05)	(0.04)	(0.21)	(0.38)	(0.39)	(0.39)	(0.38)	(1.53)	(0.94)	(0.13)
Weighted average number of shares outstanding (basic)	8,679	21,157	30,243	37,433	45,784	34,160	5,581	5,697	5,887	6,165	5,832	8,042	11,452
Weighted average number of shares outstanding (diluted)	8,679	21,157	30,243	37,433	45,784	34,160	5,581	5,697	5,887	6,165	5,832	8,042	11,452

Source: Company reports and Rodman &amp; Renshaw estimates.

**Table 5: LabStyle Innovations Corp. (DRIO)—Historical Balance Sheets, Financial Projections**

FY end December 31

\$ in thousands, except per share data

	2015A						2016E				12/31/16E	12/31/17E	12/31/18E
	12/31/14A	3/31	6/30	9/30	12/31	12/31/15A	3/31	6/30	9/30	12/31			
<b>Assets</b>													
<b>Current assets:</b>													
Cash and cash equivalents	1,453	1,855	981	1,908	2,671	2,671	9,367	8,062	6,243	6,127	6,127	32,314	40,324
Marketable securities	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted cash	-	13	-	10	-	-	-	-	-	-	-	-	-
Accounts receivable and prepaid expenses	286	282	331	419	935	935	935	935	935	935	935	935	935
Short-term bank deposits	83	68	92	69	80	80	80	80	80	80	80	80	80
Other assets	234	231	207	315	601	601	601	601	601	601	601	601	601
<b>Total current assets</b>	<b>2,056</b>	<b>2,449</b>	<b>1,611</b>	<b>2,721</b>	<b>4,287</b>	<b>4,287</b>	<b>10,983</b>	<b>9,678</b>	<b>7,859</b>	<b>7,743</b>	<b>7,743</b>	<b>33,930</b>	<b>41,940</b>
Property and equipment	978	935	854	796	749	749	749	749	749	749	749	749	749
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted cash	-	-	-	-	-	-	-	-	-	-	-	-	-
Lease deposit	47	40	40	33	41	41	41	41	41	41	41	41	41
<b>Total Assets</b>	<b>3,081</b>	<b>3,424</b>	<b>2,505</b>	<b>3,550</b>	<b>5,077</b>	<b>5,077</b>	<b>11,773</b>	<b>10,468</b>	<b>8,649</b>	<b>8,533</b>	<b>8,533</b>	<b>34,720</b>	<b>42,730</b>
<b>Liabilities and shareholder equity</b>													
<b>Current liabilities</b>													
Trade payables	708	844	856	879	978	978	978	978	978	978	978	978	978
Accrued expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	56	78	54	31	31	31	31	31	31	31	31	31
Other current liabilities	908	766	612	594	681	681	681	681	681	681	681	681	681
<b>Total current liabilities</b>	<b>1,616</b>	<b>1,666</b>	<b>1,546</b>	<b>1,527</b>	<b>1,690</b>	<b>1,690</b>	<b>1,690</b>	<b>1,690</b>	<b>1,690</b>	<b>1,690</b>	<b>1,690</b>	<b>1,690</b>	<b>1,690</b>
Warrant liability	4,003	3,853	4,379	3,626	2,610	2,610	2,610	2,610	2,610	2,610	2,610	2,610	2,610
Series A preferred stock	2,757	2,655	2,357	2,357	2,357	2,357	2,357	2,357	2,357	2,357	2,357	2,357	2,357
<b>Total Liabilities</b>	<b>8,376</b>	<b>8,174</b>	<b>8,282</b>	<b>7,510</b>	<b>6,657</b>	<b>6,657</b>	<b>6,657</b>	<b>6,657</b>	<b>6,657</b>	<b>6,657</b>	<b>6,657</b>	<b>6,657</b>	<b>6,657</b>
<b>Shareholder's equity</b>													
Common stock	2	3	3	4	5	5	7	7	7	8	8	12	14
Additional paid-in capital	30,761	32,943	34,074	37,718	41,769	41,769	50,267	50,767	50,767	52,371	52,371	83,100	88,729
Accumulated other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-
Deficit accumulated	(36,058)	(37,696)	(39,854)	(41,682)	(43,354)	(43,354)	(45,158)	(46,963)	(48,782)	(50,503)	(50,503)	(55,050)	(52,669)
<b>Total shareholder's equity</b>	<b>(5,295)</b>	<b>(4,750)</b>	<b>(5,777)</b>	<b>(3,960)</b>	<b>(1,580)</b>	<b>(1,580)</b>	<b>5,116</b>	<b>3,811</b>	<b>1,992</b>	<b>1,876</b>	<b>1,876</b>	<b>28,063</b>	<b>36,073</b>
<b>Total liability and shareholder's equity</b>	<b>3,081</b>	<b>3,424</b>	<b>2,505</b>	<b>3,550</b>	<b>5,077</b>	<b>5,077</b>	<b>11,773</b>	<b>10,468</b>	<b>8,649</b>	<b>8,533</b>	<b>8,533</b>	<b>34,720</b>	<b>42,730</b>

Source: Company reports and Rodman &amp; Renshaw estimates.

**Table 6: LabStyle Innovations Corp. (DRIO)—Historical Statements of Cash Flows, Financial Projections**

FY end December 31

\$ in thousands, except per share data

	2014A	2015A				2015A	2016E				2016E	2017E	2018E
		1QA	2QA	3QA	4QA		1QE	2QE	3QE	4QE			
Cash flows from operating activities													
Net loss	(16,055)	(1,638)	(2,158)	(1,829)	(1,671)	(7,296)	(2,104)	(2,205)	(2,319)	(2,321)	(8,949)	(7,547)	(1,520)
Adjustments for:													
Stock-based compensation	1,692	125	117	1,197	284	1,723	300	400	500	600	1,800	3,000	3,900
Depreciation & amortization	461	-	-	-	-	-	-	-	-	-	-	-	-
Other non-cash expense	120	-	-	-	-	-	-	-	-	-	-	-	-
Change in operating assets & liabilities													
Accounts receivable	(308)	4	(49)	(88)	(516)	(649)	-	-	-	-	-	-	-
Increase in trade payables	122	15	(24)	23	(11)	3	-	-	-	-	-	-	-
Other current assets	143	3	24	(108)	(286)	(367)	-	-	-	-	-	-	-
Accounts payable	202	136	12	23	99	270	-	-	-	-	-	-	-
Deferred revenue	(1,376)	(94)	548	(777)	(1,039)	(1,362)	-	-	-	-	-	-	-
Total change in operating assets & liabilities	(1,755)	64	511	(927)	(1,753)	(2,105)	-	-	-	-	-	-	-
<b>Cash flows from operating activities</b>	<b>(15,004)</b>	<b>(1,449)</b>	<b>(1,530)</b>	<b>(1,559)</b>	<b>(3,140)</b>	<b>(7,678)</b>	<b>(1,804)</b>	<b>(1,805)</b>	<b>(1,819)</b>	<b>(1,721)</b>	<b>(7,149)</b>	<b>(4,547)</b>	<b>2,380</b>
Cash flows from investing activities													
Investments in short-term bank deposits	(130)	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds of maturities of short-term bank deposit	230	-	-	-	-	-	-	-	-	-	-	-	-
Investment in lease deposit	(6)	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of property and equipment	(219)	-	-	-	-	-	-	-	-	-	-	-	-
<b>Cash flows from investing activities</b>	<b>(125)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash flows from financing activities													
Repayment of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from issuance of common stock and warrants	3,754	2,081	462	2,706	-	5,249	8,500	500	-	1,605	10,605	30,733	5,630
Proceeds from exercise of common stock and warrants	350	2,081	462	2,706	-	5,249	8,500	500	-	1,605	10,605	30,733	5,630
Proceeds from issuance of Series A preferred stock and warrants	4,096	-	-	-	-	-	-	-	-	-	-	-	-
<b>Cash flows from financing activities</b>	<b>8,200</b>	<b>4,162</b>	<b>923</b>	<b>5,412</b>	<b>-</b>	<b>10,498</b>	<b>17,000</b>	<b>1,001</b>	<b>-</b>	<b>3,210</b>	<b>21,210</b>	<b>61,466</b>	<b>11,260</b>
<b>Net increase/ decrease in cash and cash equivalents</b>	<b>(6,929)</b>	<b>2,713</b>	<b>(607)</b>	<b>3,853</b>	<b>(3,140)</b>	<b>2,820</b>	<b>15,196</b>	<b>(804)</b>	<b>(1,819)</b>	<b>1,489</b>	<b>14,061</b>	<b>56,920</b>	<b>13,640</b>
Effect of exchange rate	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents, beginning of period	2,263	(4,666)	(1,953)	(2,559)	1,294	(4,666)	(1,846)	13,350	12,546	10,727	(1,846)	12,215	69,135
Cash and cash equivalents, end of period	(4,666)	(1,953)	(2,559)	1,294	(1,846)	(1,846)	13,350	12,546	10,727	12,215	12,215	69,135	82,775

Source: Company reports and Rodman &amp; Renshaw estimates

**Public companies mentioned in this report:**

Abbott Laboratories (ABT; not rated)  
Amazon.com (AMZN; not rated)  
AstraZeneca (AZN; not rated)  
Boston Scientific Corporation (BSX; not rated)  
Bristol-Myers Squibb (BMY; not rated)  
DexCom (DXCM; not rated)  
GlaxoSmithKline (GSK; not rated)  
Johnson & Johnson (JNJ; not rated)  
Medtronic (MDT; not rated)  
Novartis AG (NVS; not rated)  
Novo Nordisk A/S (NVO; not rated)  
Pfizer Inc. (PFE; not rated)  
Roche Holding (RHHBY; not rated)  
Sanofi S.A. (SNY; not rated)  
Smith & Nephew plc (SNN; not rated)  
Syneron Medical Ltd. (ELOS; not rated)

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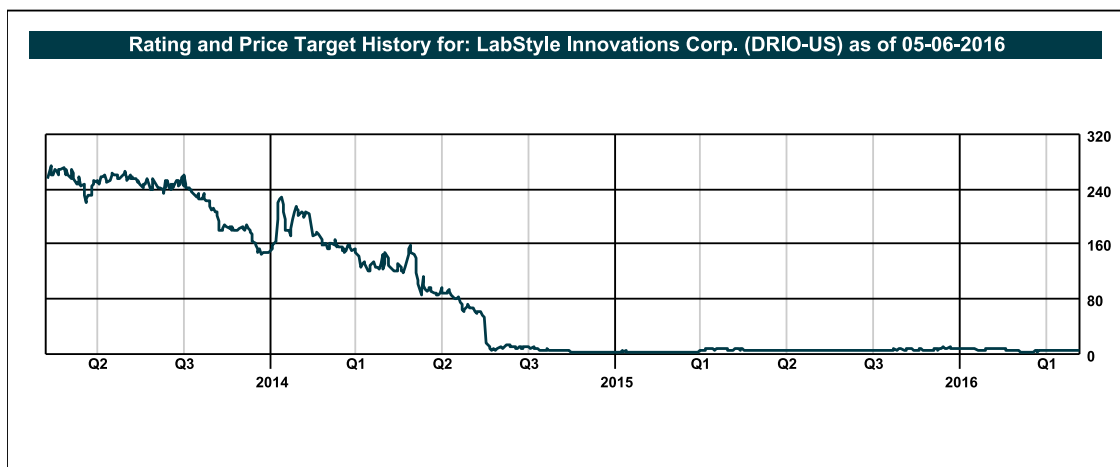
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**RETURN ASSESSMENT**

**Market Outperform (Buy):** The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector.

**Market Perform (Neutral):** The common stock of the company is expected to mimic the performance of a passive index comprised of all the common stock of companies within the same sector.

**Market Underperform (Sell):** The common stock of the company is expected to underperform a passive index comprised of all the common stock of companies within the same sector.



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Distribution of Ratings Table				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	182	98.38%	51	28.02%
Neutral	3	1.62%	2	66.67%
Sell	0	0.00%	0	0.00%
Under Review	0	0.00%	0	0.00%
<b>Total</b>	<b>185</b>	<b>100%</b>	<b>53</b>	<b>28.65%</b>

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