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The Problem With Pill Bottles

In any given year, 150,000,000 Americans purchase and use 2,000,000,000 medication bottles and bottle caps. The 1967 invention of the child-resistant locking cap was the last major innovation in the field.

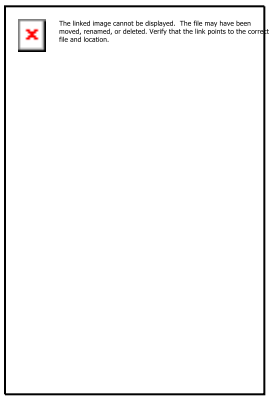
Given the nature of most pills to relieve suffering and lower risks of catastrophic health events, the $1,300/year each American spends on medication is a drop in the bucket compared to the amount of money saved on hospitalizations and lost tax revenue from drastically lowered health outcomes. A single ambulance ride caused by a single missed pill can easily exceed the cost of a patient's yearly medication alone.

And yet, would you believe that up to **50%** of all filled prescriptions are not taken as directed? How many deaths could be prevented by lowering that number by even just a tenth of a percent?

The leading cause of accidental death in America is not from car accidents but from accidental poisonings. Drug overdose deaths are now exceeding 100,000 per year, primarily from opioids, and disturbingly, a large number of these overdoses are unintentional and predominately claim our youngest: the cause of death wasn't defective pharmaceuticals, it was the defectively designed, old-fashioned dumb pill bottle, apathetically facilitating overdoses when the people who bought them were confused, depressed, or just having a bad night.

And yeah, no longer forgetting your daily vitamin or baby aspirin would be nice too.

About the Principal:



Matt Channon, founder of PillCall, is an experienced business owner with considerable and multidisciplinary background in the tech industry.

While earning a B.S. in Materials Engineering at New Mexico Tech, Matt designed and built solar arrays for two solar cars that competed successfully in 1000-mile races. While at Sandia Labs, he helped advance some of the earliest 3-D printing technology.

While Matt was earning an M.S. at Georgia Tech, he started a DVD rental machine business four years before the first Redbox.

Matt has spent the past five years developing the PillCall Pill Cap, the flagship product of PillCall, Inc.

About PillCall:

Getting reminded to take your pill is an age-old value proposition. While stopwatches and egg timers have been around for centuries, 1988 saw the first electronic reminder pill bottle with audible alarm.

As of the 2020's, four technological advances happened: Wi-fi started becoming available in every home in the country. Smartphones became available in every person's pocket. Lithium batteries allowed for the tiniest electronic products to go months instead of days without a charge. And microchips finally got smart and cheap enough to tie the other advances together.

Pillsy came out about ten years ago. This smart bottle product used a BlueTooth connection to a smartphone or tablet to come up with intelligent reminders. Unfortunately, Pillsy as a company and product doesn't seem to be doing very well. Amazon was out of stock for the past few years of their products and now they are no longer listed there. Perhaps the problem was that requiring a dedicated tablet or smartphone to act as that bridge between cap and internet was just too big of an ask for most consumers. Even still, it is disappointing that you can't seem to buy a Pillsy at any price.

PillCall simplified Pillsy's mechanical design, getting rid of the radio bridge. Now all you need is a bottle of pills, a Wi-Fi connection, and either you or your nephew who is good with computers to use an app or phone menu to configure it. No more "I forgot to take my pill!" **and** no more "Did I just take my pill?" (It reminds you when you have opened it twice).

The PillCall Story

Matt Channon, founder of PillCall, invented a device and surrounding system to serve the unmet need to remind people when they forget, but ***not remind*** them when they ***remember***. Dozens of other products run reminders to jar people out of their daily routine in order to take their medicine. While this works for a few people, most people hate interruptions, particularly stupid interruptions (such as a reminder to take their pill when they already have or were going to). Even people who benefit from these reminders quickly grow to resent their intrusive nature and will either stop using them or anticipate their annoyance and never start. A product that makes people hate using it is a bad product.

On March 31, 2015, Amazon launched the Dash Button. It was a tiny battery-powered thumb-sized computer that did nothing except send a very simple and unchanging message to Amazon over Wi-Fi when you pushed its switch, the idea being a household might tape these next to household goods, so they could order refills from Amazon directly, right from where they're used, when they start to run out. In theory, laundry detergent or toilet paper would show up a couple days later, exactly when

needed, without the use of a computer or smartphone to place the order.

Matt Channon was impressed by the dash button and began to consider if there might be some sort of inverse for the dash button: “something that does nothing when you push its button, instead of doing something”, and eventually “something that does nothing when you don’t push its button, instead of doing something.” Channon paired this with the observation that otherwise intelligent people were predictably irrational, even though they knew in advance they would be irrational. Millions get stuck with bank fees for making payments late, or waiting too long to buy airline or concert tickets and having to pay extra, or end up with gym memberships they never used, or fail to feed parking meters in time. So many businesses in the world today are not just making some, but almost all, of their profit, off people simply forgetting to do the simplest things, even with plenty of advance notice. This is the new reality of the Attention Age: distraction means profit.

Realizing the above, Channon wondered, how about a business that makes all its money by helping people **not** forget the important things in their lives? There has to be a value there, since people know they’re going to forget, forget anyway, and suffer anyway. Enter PillCall.

The PillCall Pill Cap

The prototype PillCall cap comes in four sizes to match the most common threads and diameters of modern pill bottles. Instead of being white, which might get thrown away out of habit, and harder to open than they should be, Channon made them bright colors, gave them an ergonomic concave surface for gripping covered with a knurl pattern, like one finds on gym equipment. They don’t look like your grandparents’ pill caps, but people with feeble hands appreciate things like this.

The cap comes in two interlocking plastic halves, a ring and a lid, which snap together, and in between, one of the most advanced circuit boards known to man, which “floats” between a “down” position resting on the ring (when removed from the bottle) and an “up” position (when screwed onto the bottle). Unlike other offerings, the circuit board itself contacts the rim of the bottle when the device is closed, pushing the plunger of a microswitch up against the lid, making the entire assembly very simple but also very reliable. A large coin cell battery and a brilliantly designed radio frequency circuit allow the device hundreds of cycles before it needs to be replaced. When used correctly, a user never notices it.

Although the battery is a lithium-ion chemistry and can be recharged in theory, medication contamination risk, performance concerns, and continued improvements, coupled with the very low cost of manufacture, mean that recycling these pill caps is a better option for everybody, rather than trying to recharge or reuse them or sending them to landfills.

The PillCall Reminder System

Every time it is opened, PillCall chirps over a customer's Wi-Fi to the internet to the PillCall server in a data center, where the server updates a database, and then dutifully combs through that database and compares it against the user's times to find situations where the bottle should have been opened but wasn't. When it finds a match, it sends out an SMS text message (to up to 5 different numbers). When the server finds situations where the bottle should not have been opened yet was (like five minutes after the first time), it sends out a different SMS text message.

Other than teaching a microchip your Wi-Fi credentials, the system is deceptively simple. Through using an app, a new or existing cap can be programmed with the Wi-Fi credentials for wherever the medication is stored. The app is also used to set reminder times and days.

Although there are analytics to let the company know when your battery is about to die and to thus send a replacement cap, one of the greatest philosophies of PillCall is that the company doesn't know and doesn't care what kind of pills are being taken. Big Pharma loves the idea of pushing "medication compliance" and selling more people more pills, and PillCall's pledge is to keep Big Pharma out of our data. As far as what we're concerned, that's part of what people are paying for with their annual fees and it's something we all want for ourselves: something to help us out and improve our lives, instead of making us the product, which is what Google does.

The PillCall Business Model

"GM is not in the business of making cars. GM is in the business of making money."
–Thomas Murphy, Chairman of GM (career from 1938-1988)

A small-sized piece of plastic and electronics that doesn't appear more advanced than a Happy Meal toy can hardly command a king's ransom, or can it? Someone new to Earth might similarly conclude that a steel key could only be worth a tiny amount when not realizing what it unlocks- perhaps an automobile, or an office building. The key isn't worth tens of thousands or millions for what it's made of, but for what it allows you to do.

Similarly, the plastic card, that members of Costco and Sam's Club use, costs pennies for its materials value, but it's worth at least $100 per year to them, because they can save hundreds or thousands of dollars buying goods with it that they'd have to buy elsewhere without it.

A Netflix membership costs in excess of $100 per year, again costing pennies for its intrinsic value, but it's worth well over that to Netflix subscribers because of all the DVD's they no longer have to buy or rent.

Amazon and their competitors probably make a slight loss on all their Fire TV, Chromecast, Roku, and similar streaming devices, but would their customers be able to

get their highly profitable streaming content any other way?

Hence, the device subscription model, where you make a torrent of devices and sell them at cost, and then make your profits off monthly or annual subscription fees to support those devices (said fees costing way less than customers' alternatives), is well-established.

PillCall caps cost about $4 in parts to make, and that number will scale to under $1 someday. But its genius exists within its service. Server hosting costs for PillCall are measured in the **tens** of dollars, organization-wide. Not tens of millions or tens of thousands, just **tens**. But the utility PillCall provides subscribers, an avoided missed dose here, an avoided overdose there, an avoided urgent care visit here, an avoided ambulance ride and emergency room visit there, and even an avoided funeral now and again, is easily demonstrated. To your average prescription drug user who doesn't have a mind like a steel trap and occasionally forgets medicine, it's already worth thousands of dollars. To a high-risk consumer of prescription medication, it's even more. But even when people forget about their fragility and mortality, they recognize they simply hate it when they forget their pills, and that alone is worth hundreds of dollars per year.

So PillCall's business model is to sell annual subscriptions and throw in the plastic devices for free, including free replacements before batteries run out, or when the pharmacy changes bottle sizes on people.

Currently, **$129.00 per year** pricing is the default (though it may be adjusted up or down, or offered in tiers, in order to maximize users and profit). $129 per year from a $4 device and $0.01 per year in additional server costs: PillCall will be the mother of all cash cows as long as people keep buying and keep using them.

Eventually, the FDA may even be led to require pharmacies to use something like PillCall on every prescription. If you thought people would line up to buy PillCall before, imagine if the government pays for it. Since every pill bottle overdose death costs the government millions in lost tax revenue alone, it's a no-brainer even for the clowns in D.C. to buy ounces of prevention instead of suffering pounds of cure.

Channon has high expectations for PillCall: "There's no reason we can't sell, and service, a hundred million of these worldwide." That's less than one in three Americans when we know more than one in two use prescription pills, not to mention Europe and Asia, where people also take a lot (and presumably forget a lot) of pills. 100 million is not an unrealistic number for Costco (119 million members) or Netflix (221 million subscribers). Both of those put way more effort into their products for way less margin per customer, so there's no reason that can't be PillCall too someday.

$120 per year x 100,000,000 = **$12 Billion Dollars**. **Per Year**. It's not going to happen overnight. Eventually, it will probably be more than 12. But $12B/yr. is around #300 on the Fortune 500. What would you do with 0.1% of that company?

A more sobering thought: Imagine telling your grandchildren how you could have bought 0.1% of that company, easily, but decided not to.

Projections

Where we are now

PillCall's servers are set up and running. PillCall's iPhone app has been approved and is on the App Store. PillCall has three working prototype caps, perfectly capable of being sold for $129 each, but to be used for marketing purposes, Getting to 100 million caps in use will require a substantial marketing push, not to mention a substantial upgrade to the size of our assembly lines to make the caps themselves. The cap design also has room for improvement and a road map is in place for achieving faster and more reliable assemblies with fewer components.

Stage 1: Kickstarter and Indiegogo

Making another 1,000 units and quietly selling them on Amazon would doubtless make some revenue, but making a run this size would be time-consuming, labor-intensive, and absorb a lot of capital before the sales channel eventually peters out. PillCall needs the modern-day equivalent of shouting from the rooftops in order to let people know the pill caps are here and they need to buy theirs right away.

Figuring out how much to charge, and what gets people to buy, is an underappreciated part of any startup. Fortunately, we've retained the services of San Diego-based LaunchBoom, one of the leading crowdfunding consulting groups, and they're helping us craft our Kickstarter and Indiegogo campaigns, where early adopters will preorder our goods, meaning we have their money for as long as we need it and there's no deadline to deliver our goods to them. What we learn from this process will give us a very strong idea of how to price our service. It may be just as many will buy at $200 a year, or twice as many will buy at $80 a year. We know we don't know, but we'll know it at the completion of Stage 1.

If successful, there is no Stage 2 when it comes to financing. This company would be generating margins at such a rate that it would have no need for additional outside financing.

Raise: $300,000
Time to Stage 2: Approximately 6 Months

Stage 2: Scale, Improve, Repeat

If Stage 1 is proven successful, building out, within one year, a small factory capable of 100,000 units per year is the next step. Additional factories, each 10-100 times larger, will eventually be built and funded with the existing revenue stream.

Raise: $0

Stage 3: There is no Stage 3

PillCall is a simple business model based on fixing a challenging problem that is not going away without it. As PillCall develops millions of subscribers, eventually stock buybacks may occur, but keeping the company privately held for as long as possible will allow it to be adequately valued in the event a large firm wants to buy it, or its owners continue running it.

Raise: $0

Particulars

Intellectual Property

Numerous aspects of the PillCall system are patentable, but the nature of U.S. patents has changed substantially in the past ten years. One can't patent something without telling everybody how to make it themselves (that's what a patent is). Imagine if Coca-Cola patented its formula: there'd likely be no more Coca-Cola.

PillCall's strategy will be to engage the services of a top-tier law firm specializing in intellectual property, to determine what gets patented, and what remains a trade secret.

Foreign knockoffs will no doubt show up, but they can be taken off the U.S. and high-end foreign markets on account of patent infringement.

Revenues

Pill caps will be limited to one year to start (including free replacements if needed), so about $120/yr. will come in, increasing 10%/yr., targeting the following schedule:

Year	Subscribers	Revenues
EOY 2023	100	$12,000
EOY 2024	10,000	$1,320,000
EOY 2025	500,000	$72,600,000
EOY 2026	2,000,000	$319,440,000

EOY 2027	10,000,000	$1,756,920,000
EOY 2028	50,000,000	$9,663,060,000
EOY 2029	100,000,000	$21,258,732,000

(By comparison, Apple made 240,000,000 iPhones in 2021)

Material Costs & Availability

Electronics manufacturers used to be only too happy to up their production numbers and slash their prices when sufficient demand was present. The pandemic has had a debilitating effect on chip fabs making certain kinds of low-end microchips. Our current design minimizes the number of these types of chips used, our new design takes us from 8 chips to 4, and by the time we reach multiple millions of devices per year, the industry will have ended its undersupply problems, and/or PillCall will start up its own captive manufacturers for tough-to-scale components such as microswitches.

A budget of $50,000 for bulk material orders will be overkill for the number of units manufactured, but certain components need to be purchased by the reel of 5,000 or more, in order to receive decent prices, or, in certain instances, to buy them at all.

Labor Costs

Each prototype cap takes about 30 minutes of labor to assemble and manufacture, though there are multiple pieces of machinery which can reduce this number significantly. We expect the labor cost per production unit completed to fall well below $1.

Rent & Equipment Costs

Manufacturing a pill cap will eventually require multiple benchtop lasers, screen printers, pick-and-place machines, temperature/pressure chambers, and plastic forming equipment. Although in theory this could all fit within a single car garage, renting an office under 5,000 square feet will allow for increased throughput, material and product storage, marketing and administrative space, and equipment maintenance within the same building, as well as room to grow. With small assemblies and product, near-zero on-site air pollution, this facility would only need small equipment and could be office zoned.

Including upgrades to electrical and exhaust, a budget of $50,000 for the first set of production equipment, and another $50,000 for the first year’s rent and utilities is budgeted.

Setup Time

Finding and attracting adequate capital will have delayed rollout by approximately 12 months, approximately 9 of which have elapsed. Upon closing the round, multiple increasingly large production runs will occur regularly as more equipment gets brought in-house and ramped up.

Net Profits

Assuming all these estimates are correct, margins will become nearly indistinguishable from revenues, less marketing costs, as less than 5% of the annual revenue per customer would go to cap manufacture, web services, and general overhead.

Marketing

Eventually PillCall will need a large troupe of salespeople to drive various sales channels, and they need to be good at their jobs, and thus adequately compensated. A top car salesman might earn $200,000 per year in commissions, so we would have to beat that. Paying a percentage royalty on generated sales, without an upper limit, will help us attract and keep the salespeople necessary to grow to a nine figures number of subscribers. Approximately 20% of revenues will go to commissions, split between a sales director, multiple sales managers, and a large group of salespeople, making marketing PillCall's largest ongoing expense.

Use of Funds

What an investment will go toward:

$50,000- Rents & Utilities- FY2023-FY2024
$50,000- Cost of Equipment
$50,000- Cost of Materials
$75,000- Cost of Hiring Salespeople, Devs, Assemblers and Office Help for 3 months
$25,000- Cost of Intellectual Property Help and Other Legal
$50,000- Cost Recovery of Existing Debt

Exit Strategy

As with most early stage startups, stock ownership positions will be held until a public offering occurs, which may never occur. It is PillCall's intention to eventually offer stock buybacks to bring the company back private, and not seek a public offering or an exit. For example, one share of AAPL in 1982 was $0.10, but in 2021 AAPL spent $85.5B repurchasing some of its shares at approx. $130.00 per share. Forty years is a long time, but this was not AAPL's first stock buyback either.

Summary

PillCall is the best investment opportunity you are likely to see for some time. Matt Channon has shown to be a capable engineer and company founder, and as additional capital is brought on board, PillCall will corner the market on a multibillion-dollar industry. $10,000 invested today, assuming projections are correct, at a P/E ratio of 70, would be worth $1.5 billion at EOY 2028 (assuming you hadn't sold it yet and were able to sell it then). This 150,000X ROI would be like buying up Bitcoin at $0.25 in 2009 but enjoying the same return in half as many years.

As with all startup businesses, an investment in PillCall is a speculative investment. There is no guarantee that the projected financials will in fact occur. Some investments make money, some do not. Investors should know there is a risk that PillCall will fail to.