

Top Deal: The Hottest On-Demand Startup In DC



<https://wefunder.com/caryrx>

Key Deal Stats

- Raising Platform: Wefunder
- Valuation Cap: \$6 million
- Raise Type: Future Equity
- Security: SAFE
- At the time of publication, December 12, 2018, CaryRx had raised \$396,643 in total with \$23,000 raised in its current round

The CaryRx team has been selected as a “Top Deal” by KingsCrowd. This distinction is reserved for deals selected into the top 10% of our deal diligence funnel. If you have questions regarding our deal diligence and selection methodology please reach out to hello@kingscrowd.com.

Check out our discussion with Co-Founder & CEO, Areo Nazari that was conducted as part of our due diligence process [HERE](#).

Description

[CaryRx](#), located in Washington D.C., is a full-service pharmacy that delivers prescriptions to its customers. It offers free same day delivery for the same copay and utilizes a mobile app to facilitate the process of ordering prescriptions. Pharmacists are always available to answer questions through an in-app chat or by telephone.

The Opportunity

In recent years, the pharmacy industry has featured little innovation accompanied with massive increases in the cost of pharmaceutical drugs.

A report shows that the average annual price of specialty drugs has tripled over the last 10 years from \$18,000 to more than \$52,000 ([AAM](#)). During this span, consumers have continued to rely upon the same measures to purchase, order, and receive their drugs. This is a time-consuming process as users must travel to the local pharmacy and wait in line. Often, prescriptions are out of stock.

As the rise in the sharing economy has shifted preferences from a go-to model to a come-to model, consumers continue to be drawn to services that are timely and convenient.

CaryRx represents the pinnacle of speed and convenience within the pharmacy industry. By eliminating intermediaries, CaryRx possess the ability to directly deliver drugs to consumers.



The Market

The pharmacy industry holds enormous potential for delivering value to customers while sustaining large margins. As this photo reinforces, prescriptions continue to increase each year in volume and sales.

Furthermore, nationally it boasts revenues of hundreds of billions of dollars. As this [graph](#) demonstrates, CVS, Walgreens, Express Scripts, United Health, and Walmart are the major players in the pharmacy industry.

Combined, they accounted for roughly 60% of the market share of prescription drugs in 2017 due in a large part to their vast distribution networks and well-established relationships with suppliers and consumers.

Why We Like It

1. **Established Relationships** -- CaryRx works with two major partners in order to best carry out its business. First, CaryRx receives all its medications from McKesson which is one of the largest pharmaceutical wholesalers.

By working with McKesson, CaryRx will be able to fulfill any level of volume. Next, CaryRx works with [Postmates](#), the world's largest on-demand delivery platform. This provides two distinct advantages.

First, CaryRx has access to one of the best delivery systems in the world without needing to invest in training programs or capital investments. This allows CaryRx to focus on ways to improve its core offering -- figuring out how to make ordering and receiving prescriptions as easy as possible for consumers.

Next, Postmates makes expansion into new states extremely attractive. In any city that Postmates delivers, CaryRx will once again be able to deliver its prescriptions without making significant investments in distribution networks.

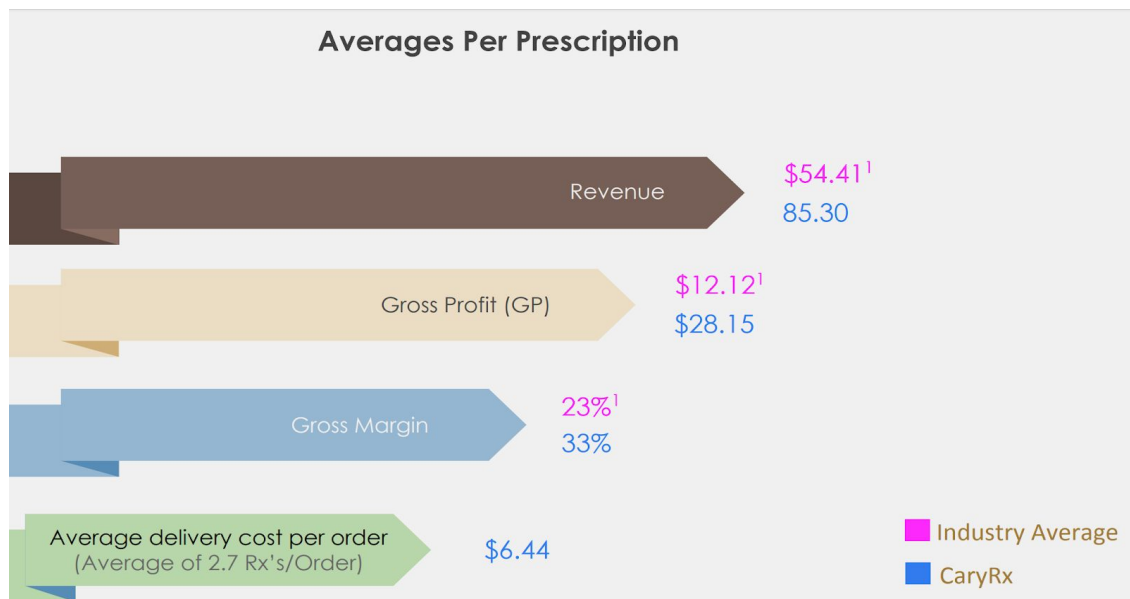
2. **Unique Mobile Platform** -- In an age where mobile apps are the norm, CaryRx excels with its mobile offering. Not only is the app free to download and quite simple to use; but also, it is built to eliminate double order entering and prevent prescriptions from being lost.

The app is able to be synced with other devices so that one's Apple watch will remind the user that the prescription needs to be refilled. Finally, the app allows users to request on-demand deliveries or schedule upcoming deliveries. By delivering full control to the user through a simple app, CaryRx is unique in being able to bring the medications to the user.

3. **Demonstrated Initial Success** -- Today, CaryRx only serves the greater Washington, D.C. area. Its results are extremely promising. It currently boasts a 99% customer retention rate, serves over 1,400 patients, and has an annual run rate of nearly \$500,000.

And while CaryRx must absorb the costs of delivery, it still has managed to outperform industry averages since it acts as a fully-operating pharmacy and thus garners the profits of a pharmacy (compared to an intermediary delivery service).

The graphic below highlights CaryRx's ability to operate at significantly higher margins than many of its competitors. CaryRx should be able to continue performing at this level which, combined with additional customers, will help the company truly carve out its space and disrupt the market.



4. **Pharmacist as the CEO** -- Another factor differentiating CaryRx from its main competitors, including [NowRx](#) and [Alto](#), is that CaryRx's

Founder and CEO brings nearly 10 years of experience as a pharmacist.

Areo Nazari managed high volume pharmacies and completed business development for large pharmacy chains in the D.C. area. Through this, he gained valuable insights into managing inventory, work processes, employees, and operations.

One example showcases the value added by his pharmaceutical experiences. With its targeted market campaign, CaryRx now only attributes \$10 to customer acquisition cost. On the contrary, [NowRx](#) has \$40 of customer acquisition cost.

With his years of experience, Nazari was able to work with his team to develop the most effective means for communicating with customers with whom he had interacted with for nearly a decade. Though we think very highly of NowRx as well, we appreciate and think there is significant value to the business model undertaken by CaryRx.

5. **Opportunities for acquisition** -- We talk about it all the time, but investing in companies with strong exit opportunities is a great way to drive faster return timelines and sometimes better overall IRRs.

This is a market where we recently saw PillPack be acquired for a billion dollars by Amazon after Walmart had made a run at acquiring it. We think this is a space ripe for more movement and CaryRx will be an intriguing one to watch in the next 3 to 5 years.

Concerns

1. **Raising Funds** -- The company needs to raise funds in order to grow, make sustainable profits, and disrupt the market. It is important

to track the funding path to see whether the company will be able to gain sufficient funding to become a large brand. Winning over multiple markets is expensive and will require a decent level of capital intensity to get things up and running in multiple cities.

2. **Giants in the Industry** -- In addition to its main delivery competitors, there is the risk that the giants in the pharmacy industry (CVS, Walgreens, Express Scripts, etc.) will either successfully move into the delivery sector or wipe it out completely.

CVS recently acquired Aetna which demonstrates its willingness to innovate and move into different sectors of the pharmaceutical world. Since these large chains are found across the United States, they possess very strong relations with suppliers and have fantastic distribution networks -- thus they pose a risk to CaryRx.

Though we are bullish on an acquisition, there is ofcourse a chance it goes the other way where these companies either acquire other startups or go down the arduous path of building out the capability themselves.

3. **Trust and Security** -- CaryRx will need to earn the trust of its customers through timely, secure deliveries. As with all mobile apps, security is a top concern, so CaryRx will need to make investments to protect the data of its consumers.

Its delivery system eliminates the friendly face of the local pharmacist, so CaryRx needs to ensure its pharmacists always provide the best information through the chat and over the phone to provide users with a sense of trust.

The Rating: Top Deal

The upside for CaryRx is massive. As the economy continues to shift towards a come-to model, CaryRx stands out as the convenient, quick delivery service.

With its polished leadership and success in the D.C. area, it is well-positioned to expand its customer base and reach.

The focus on building out in additional secondary cities (e.g., Miami not NYC) to keep CAC lower, an asset light model, significant early traction and lots of potential for future acquisition from large entities such as CVS and Walgreen's make CaryRX the right investment in the right market at the right time with the right product offering.

For these reasons this is a Top Deal and one worth investing in. Be sure to invest [HERE](#).