DYNAMK CAPITAL’S NICHE PLAY IN BIOPHARMACEUTICALS

By the National Association of Investment Companies

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Dynamk Capital just completed the firm’s third investment – leading a $15 million initial Series B financing round for RoosterBio Inc., a provider of large quantities of mesenchymal stem cells used by researchers in academia, pharma, and biotech to generate cell and tissue therapies. This is the type of investment Dynamk likes – an innovative service critical to enabling the discovery, development and production of life-saving therapies and a business that is scalable with the potential for explosive growth.

The investment makes strategic sense for Dynamk, a venture and growth equity fund. Stem cells are the body’s raw materials — cells from which all other cells with specialized functions are generated; and biopharma and pharmaceutical companies require a constant supply for clinical trials. Billions are invested regularly into stem cell research to root out the cause and find cures for such diseases as ALS and breast cancer or to create healthy cells to replace those that are diseased or be used to test new drugs for safety and effectiveness.

“We’re defined as a venture and growth equity fund, partially due to the fact that it’s a really underserved market with regard to venture and growth equity particular to this segment, which is life science industrials or life science tools and technologies,” explains Daniella Kranjac, Co-Founder and Managing Director of Dynamk. “It’s basically the enabling tools that pharma and biotech companies must use in the course of their work. Regardless of whether they get regulatory approval or not, they still use all of these tools, technologies, and services, so you remove that entire layer of regulatory risk.”

Dynamk’s first two investments follow this strategy as well – developers and providers of the tools and tech for regenerative medicine. Envisagenics uses artificial intelligence and machine learning to unlock previously inaccessible cures for hundreds of diseases caused by ribonucleic acid (RNA) splicing errors. Some 30 million people in the US suffer from genetic diseases or cancers that can be treated from therapies derived from Envisagenics’ processes. Another portfolio company, FloDesign Sonics, developed a process to capture, separate and concentrate particles in fluids through the use of acoustic waves. This acoustic cell processing could potentially bring down costs for the typically expensive cell and gene therapy currently in development for treating and curing cancer and other diseases.

Launched in 2017, Dynamk invests in start-up and growth companies with capital requirements too small for most funding sources that provide life sciences tools and services in the biopharma industry. These companies represent an underserved market as many rely on grants, angel investors, regional VCs or governmental economic development organizations. The firm’s roots go back to Kranjac’s dorm room at Stevens Institute of Technology, where she co-founded Wave Biotech LLC, a developer of unique bioreactors which are designed to replace traditional and more expensive stainless steel tanks and piping used by the biopharmaceutical industry.

Wave Biotech was bootstrapped and Kranjac and her partners were growing the business without external funding but reached a critical point where they had the opportunity to vertically integrate a key supplier. However, this required capital. “We had discussions with some very well-known VCs and some very well-known private equity groups, and they really could not get their heads around what we were doing,” she recalls. “We were a profitable business, doubling sales year on year, but we could not get anyone around the business plan and this acquisition that would have propelled us to a dramatically larger exit.”

Despite this, Wave Biotech grew to become a $25 million business and an acquisition target for General Electric in 2007. This provided a profitable exit and a job for Kranjac, who would spend several years at GE in M&A and business development. But the fact that investors didn’t fully understand the technology and business stayed with her. “These entrepreneurs don’t have a lot of choice in terms of where to go for smart money. So that’s what made it gel because many VCs are really not domain knowledgeable.”
Those experiences with venture capitalists directly inspired the launch of Dynamk. “It kind of led me to think, ‘Okay, even though Wave was a long time ago, and even though there’s a lot of funding sources in the landscape, nobody’s really focused on this niche. Maybe we could create a niche around it.’” With three deals closed and another in the pipeline, Dynamk is now in the process of raising capital. An initial close of its new fund occurred in late 2017 and the firm targets a final close in this year’s fourth quarter.

For Dynamk, the sweet spot is investing in developers of products and solutions that help biopharma and pharmaceutical companies beat competitors to market with proven treatments. “At the root of this is anything that can help them to commercialize a product faster,” says Kranjac. “Get it on the market faster, get the regula