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GenapSys: Failure of an Almost-Unicorn

In February 2021, Hesaam Esfandyarpour expressed his optimism about new CEO Jason Myers leading GenapSys, a developer of gene sequencing technology, into its next phase: "I am pleased to welcome Jason to the GenapSys team and look forward to partnering with him in this next chapter of our growth."[1] Esfandyarpour would remain chairman of the company he had founded in 2010.

Later that month, Esfandyarpour explained to a class of MBA and graduate engineering students in San Diego (home to his most formidable competitor, Illumina) that GenapSys' strategic decision to adopt the "razor and blade" business model had been the most effective way for the company to break into the sequencer market.[2] This business model was one of the three choices highlighted in a business case study about the startup published in 2014, so the students were excited to hear from Esfandyarpour first-hand.[3] Although the 2014 case described the company's first product launch as imminent, the GenapSys compact DNA sequencer ultimately did not appear in a limited release until the fall of 2019 (see **Exhibit 1**).[4]

When GenapSys finally released the sequencer, some investors seemed appeased. GenapSys completed a $90 million Series C funding led by Foresite Capital in November 2019, achieving the startup's peak externally recorded post-money valuation of $895 million.[5] Although the COVID-19 pandemic that, from March 2020, caused worldwide business shutdowns and stay-at-home orders subsequently cut valuations throughout the stock market and startup world, the race by governments and large and small institutions worldwide to find a vaccine or a cure seemed to affirm the growing demand for accurate and low-cost sequencing. The company signed two dozen distribution agreements targeting 30 countries, Chinese authorities reached out to GenapSys for potential help addressing the COVID-19 crisis, and the company obtained debt financing of $75 million from Oxford Finance in February 2020.[6]

In November 2020, Esfandyarpour agreed to make preparations to step down: Myers joined GenapSys in February 2021 as CEO after a successful billion-dollar-plus exit for his own company, ArcherDX.[7] Shortly thereafter, in May 2021, GenapSys closed an additional $70 million in Series D funding from Farallon Capital, PBM Capital Group, and Soleus Capital.[8] Myers' early actions included hiring an executive team, with three

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