

Genstruct plans hires on 'rational' growth

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CAMBRIDGE -- Computational biotechnology startup **Genstruct Inc.** plans to nearly double its staff over the next six months, reflecting solid growth of an increasingly important sector in the life sciences world.

The company plans to add as many as 16 new staff members to about 20 full and part-time employees in order to handle anticipated business growth.

Genstruct uses artificial intelligence to create computer models that help pharmaceutical clients identify biomarkers more quickly. Researchers use biomarkers -- substances like cholesterol that can mark the onset of disease -- to help determine if a new drug is actually working.

Genstruct expects to break even next year, four years after its official launch and just \$6.5 million of early venture capital financing.

Keith Elliston, Genstruct's president and CEO, says he's focused on growing the company gradually and only as business warranted, a stark departure from the campaigns adopted by "pre-bubble" biotechs that grew through massive funding first and then sought to grow revenue after the fact.

"We really focused on early validation, early revenue and building scalably on that revenue space," he said. "It's much more rational."

Genstruct's decision to enter the computational modeling segment of drug discovery turns out to be quite rational. The segment continues to grow as pharmaceutical companies seek to increase productivity of their researchers, said Carol Rozwell, a research vice president with Stamford, Conn.-based **Gartner Group**.

"We're doing more and more work using computer systems that can generate models than just having scientists going to the bench and actually performing experiments," Rozwell said.

Noubar Afeyan, CEO and managing partner of **Flagship Ventures** in Cambridge, was an early investor and Genstruct founder. He said the company has succeeded well pursuing a concept that "addressed a real need" in the wake of a bottleneck of genomics research data that researchers struggle to keep up with in the quest to discover new drugs.

Elliston says his primary competition is national, with companies like Entelos in Foster City, Calif. Locally, **Predix Pharmaceuticals Inc.** in Woburn is not a competitor, but the drug developer is using computer modeling to create new compounds. Predix recently filed for an initial public offering.

The privately owned Genstruct has signed four pharmaceutical client "partners" so far, including **Pfizer Inc.** in New York (NYSE: PFE) and Germany's **Schering AG**. Genstruct is focusing on growing for now by expanding its relationships with current partners, Elliston said.

Elliston declined to discuss specific revenue, though the number hits between \$1 million and \$5 million, he said.

While the company expects to consistently break even next year, Elliston says Genstruct already "flirts" with the prospect now depending on cash flow and when revenue is recognized on the books.