



# FIRST STAGE INVESTOR

## Invest in Incredibly Fast and Accurate Food Safety Tests

By Andy Gordon, January 14, 2021

### Deal Details

**Startup:** SnapDNA

**Security type:** Crowd SAFE

**Discount:** 10%

**Valuation (cap):** \$28 million

**Minimum investment:** \$150

**Where to invest:** [Republic](#)

**Deadline:** April 28, 2021

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I know exactly what my perfect startup looks like.

It begins with delivering a solution that is badly -- almost desperately -- needed. And nobody else is even close to bringing it to market.

Then, it has to be affordable. A solution that costs more than a customer can or is willing to spend is no solution at all. It also has to benefit customers immensely, saving or earning them significant amounts of money or time... right away.

The product should be incredibly easy to use and maintain. And it needs to be immediately recognizable as legitimate -- clearly meeting any relevant industry or government standards.

Ideally, it should not only benefit direct customers -- but also the customers of the customers by making the world safer, healthier or better off in some important way.

Of course, the startup needs to be able to reach profitability with this product. It's down-the-road prospects should be as promising as its near-term prospects. The

company should also offer its vastly superior, badly needed, easy-to-use product in a growing market. And that technology should be able to address other adjacent problems with some small tweaks.

But that's not all. Because I'm greedy, this company should also be led by deeply experienced, careful, smart, business savvy founders. And -- being smart business savvy founders -- they'd insist on pricing their startup at a valuation you couldn't argue with.

Lastly, the product must be recession-proof. This one is key -- especially right now. A recession is coming, whether we're ready or not.

Have I ever come close to finding such an ideal startup? Well, I've recommended startups that have had some of these things. I've been extremely lucky to find and recommend a handful of startups that even have had most of those things.

But ALL? Nope. I'm not even sure such a startup exists. That is, I wasn't sure. Until now.

A company with the funny name of SnapDNA checks every box I just listed. The food industry has been waiting a long time for a company to offer the solution that SnapDNA has perfected. It has developed tests that identify food pathogens right at the food facility in a snap -- delivering results in 20 minutes -- and with a machine slightly bigger than a bread box.

It used to take three days to get those same results since only outside labs could perform the tests. In the meantime, the food would sit... grow less fresh... and take up precious storage space.

SnapDNA's tests are unbelievably accurate. At worst, they get one false positive for every 10 million samples tested! If only our Covid-19 tests were as accurate! SnapDNA uses a two-stage test. In the first stage, the sample is "washed" of everything but the live RNA pathogens. The second stage performs the RNA analysis that confirms and identifies the pathogen.

If a non-pathogen somehow got through the first stage, the second-stage RNA analysis would immediately out it as a non-pathogen. Co-founder Tom Jacobs says he can't conceive of a non-pathogen slipping through both stages even once.

The USDA agrees that SnapDNA's test sets an admirable standard. They plan to approve the tests for other government agencies to use. Such approvals are extremely hard to get. And that approval gives food companies even more reason to use

SnapDNA's tests. Using the same pathogen tests as the government agency they work with makes their life a lot simpler.

In addition to this unprecedented level of accuracy, SnapDNA's tests can measure the number of pathogen cells in each sample. The outside labs can't do this. Nor can they measure the level of contamination. They can't even determine whether the contamination involves a single pathogen or thousands. And, somewhat pathetically, they're unable to trace the contamination to a particular location in the facility.

These are big, gaping and potentially costly drawbacks. You can see why SnapDNA's testing technology is being greeted with so much enthusiasm. Here's what one VP of Safety at a food company says...

*"SnapDNA is a no-brainer. We spend \$2M a year on pathogen tests and \$3M on cold storage waiting 3 days for lab results."*

SnapDNA does have so-called competitors. But they're more pretenders than contenders. No other company is offering anything remotely similar in accuracy, speed or convenience. They either have abysmal false positive rates (up to 25%!) or their testing results take much longer than claimed.

SnapDNA developed its technology through eight years of trial and error and continuous refinement. The company is protecting its technology with a portfolio of patent applications on fundamental inventions and dozens of trade secret processes.

And now comes the exciting part. SnapDNA is letting companies try it out. Nestle and PepsiCo are at the very front of the line. They'll be among the first to try out SnapDNA's tests. Another group of 16-to-20 food companies are eagerly waiting in line. Altogether, that's more than 1,000 food facilities ready to use SnapDNA's tests.

SnapDNA uses a hybrid subscription & razor blade business model. It makes money on monthly subscription fees and disposable cartridges -- one cartridge for one test (which can test 1-to-3 pathogens). The company conservatively estimates -- because it's careful and smart -- 20 facilities will use its testing system by the end of this year and 200 more by the end of next year. At roughly \$250,000 in revenue per facility per year, SnapDNA projects to make \$55 million in annual recurring revenue (ARR) for 2022 and \$162 million in ARR in 2023 (providing testing to 650 facilities). It expects to reach profitability in the second quarter of 2022, when its testing equipment is in more than 70 facilities.

I hate to disagree with the numbers put out by my perfect startup -- but you should know they're far too low. The problem is that these estimates don't include Nestle's 447

facilities or PepsiCo's 300 facilities. Add 100-to-150 of their facilities to the mix and ARR approaches \$200 million in 2023.

Let's briefly go over the attributes that make SnapDNA a perfect startup...

**Badly needed:** SnapDNA's tests save customers time and money. And because they're highly accurate, they help food companies avoid the dreaded recall nightmare. Chipotle's recall a few years back cost them \$8 billion. The company barely survived. Removing that risk alone is worth the price of SnapDNA's monthly subscription.

**Affordable:** The tests will cost about the same as what food companies pay now for testing -- but with a much better user experience.

**Clearly superior to other products:** No other tests come close to the accuracy, convenience and speed of SnapDNA's tests.

**Meets government or industry standards:** USDA (or FDA) approval is not needed for food pathogen testing. But the USDA is going to clear it for government-wide use. And the company sees clear sailing on getting AOAC certification, an important third-party validation to have.

**Makes the world safer:** Without a doubt -- companies using these tests will be much better equipped to avoid pathogen outbreaks.

**Exciting future prospects:** Testing of yeast, molds and other pathogens and spoilage agents is coming in 2022. Further down the road, clinical diagnostics is a possibility. It would bring the technology's speed and incredible accuracy (as relates to specificity and sensitivity) to point-of-care and cannabis testing.

**Recession proof shield:** You got it. Food companies have no choice. They must do food safety testing.

**Deeply experienced and savvy founders:** This is not your typical 20- or 30-something team. Tom Jacobs is co-founder and VP of Sales and Marketing. He spent 12 years at Tyson Foods and has 25 years of total experience at food processing companies in progressively higher sales positions. Co-founder and CEO David Medin has three decades of high-level executive experience in business and product development. Both were fascinating to talk to. They answered all my questions and then some. This company is in good hands.

**An enticing valuation:** For a \$28 million valuation, you're getting a company whose timeline calls for sales to begin this year and take off next year. The one-of-a-kind technology is already derisked and faces eager demand. A strong customer pipeline

eases the company into its go-to-market phase. All of these factors make the valuation fair and warranted. And investing right before rapid sales growth usually gets you the most bang for the buck.

The risk is minimal for an early stage investment opportunity. The financial reward is extremely promising. This is exactly what I'd expect from my perfect startup. Investments begin at \$150. But I recommend you at least double that if you can.

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## **How to Invest**

SnapDNA is raising up to \$1.07 million on Republic. If you don't already have a Republic account, you can [sign up for one here](#).

Once you verify your account and are logged in to Republic, visit the [SnapDNA deal page](#).

Then click the blue "Invest in SnapDNA" button. Enter the amount you want to invest, starting as low as \$150, and proceed through the required steps. Be sure your investment is confirmed, then you're good to go.

## **Risks**

This opportunity, like all early-stage investments, is risky. Early-stage investments often fail. SnapDNA might need to raise another round of funding in a year or two, if not sooner.

If it executes well, this shouldn't be a problem. But that's a risk worth considering when investing in early-stage companies. The investment you're making is NOT liquid. Expect to hold your position for five to 10 years. An earlier exit is always possible but should not be expected.