

Red Tree Debuts With \$272M, Zeroing In On West Coast Startups

By Luke Timmerman, Oct. 6, 2022

Science can sprout up almost anywhere, but biotech venture capital depends on being close to scientific entrepreneurs.

San Francisco-based Red Tree Venture Capital is making its public debut today with its inaugural \$272 million fund. The idea is to create a West Coast-centric firm that mostly invests in early-stage startups in California (and maybe Seattle, too).

The firm was co-founded in 2020 by Heath Lukatch, a veteran VC previously with TPG and Novo Ventures, and [Jennifer Cochran](#), a professor and chair of the bioengineering department at Stanford University.

They looked at well-known East Coast venture firms like Atlas Venture, Polaris Partners and Third Rock Ventures. All are known for having their eyes and ears close to the ground, for having close connections to the leading scientific entrepreneurs at Harvard and MIT.

There certainly are West Coast-based venture firms that invest in big idea startups at the early stage – Arch Venture Partners and The Column Group are a couple – but Red Tree was born on the idea that there’s nothing quite like that model on the West Coast, and there’s a lot more room for VCs to spin out companies from the top West Coast institutions.



Heath Lukatch, co-founder and managing partner, Red Tree Venture Capital

The name "Red Tree," by the way, symbolizes the founders’ love of the outdoors, the redwood trees of California, and the logo of Stanford University (the firm has no formal affiliation with the institution).

“There are way more ideas out there now than are currently being funded,” Lukatch said. “We have a lot of relationships through our SAB (scientific advisory board). We are getting to see things very early, often at the concept stage before they publish their findings.”

Jon Edwards is the other key partner who joined Red Tree in the early days. He previously worked with Medicxi Ventures in London and Switzerland. He got some exposure to the San Diego biotech community through a couple successful investments – Impact Biomedicines and Synthorx were acquired by Celgene and Sanofi, respectively. He looked around and saw much more potential on the West Coast.

“If you look at NIH funding, California gets more than Massachusetts,” Edwards said. “We think there’s a ton of opportunity with the West Coast institutions, and by being local, being present, and sometimes giving advice before making an investment.”

The firm, ironically, got started at the worst possible time for building new relationships – the beginning of the COVID-19 pandemic. Lukatch said in the earliest days, he and Cochran were able to get by on Zoom while working with people in their existing networks. Since things have opened up, they have been busy investing in startups, either on their own or in syndicates. They’ve worked with



Jon Edwards, managing director, Red Tree Venture Capital

entrepreneurs they've worked with previously. More recently, they've been cultivating relationships at California where they can source new investments.

Already, Red Tree has made 10 investments out of about 12 it intends to make in its inaugural fund. With a little dry powder left, it plans to go back to Limited Partners to raise a second fund in 2023, Lukatch said.

Red Tree's taste in investing leans about 80 percent toward biotech, and 20 percent toward medical devices. Most investments will be early stage, although there's some room for late-stage investing in the portfolio, particularly with medical devices. The firm writes checks that range between a few hundred thousand dollars up to \$15 million, and anticipates providing \$20 million to \$30 million to portfolio companies over the life cycle of an investment, Lukatch said.

While Stanford is the place known for the tree in its logo, Red Tree Venture Capital is seeking to build relationships beyond just Palo Alto. San Diego is home to UCSD, Scripps Research, and the Salk Institute. Los Angeles has UCLA and Caltech. Seattle has the University of Washington and the Fred Hutch Cancer Center. If there's one common thread, Edwards said, it's a collaborative culture, a desire to root for success among colleagues, an openness to new things (like, perhaps, working with the new VC firm in town).

The Red Tree partners struck a humble tone in my interview yesterday, delivering a message that could be interpreted as founder-friendly. "We spend a lot of time with folks," Edwards said. "We do weekly calls with our portfolio company CSOs. Think through scientific plans. We can at least pick up phone, or we're a short plane ride away. We add a lot of value by being a true thought partner. We want to not just be a source of cash, but to also provide scientific thought partnership."

Nina Kjellson, a general partner with Canaan Partners, co-invested with Red Tree in a \$67 million Series A for San Francisco-based Rondo Therapeutics in March ([TR coverage](#)). Kjellson said she welcomes them to the West Coast biotech investing scene. She wrote:

"Red Tree brings the perfect combination of deep scientific acumen - from their combined academic, industry and venture perspectives - and company-building grit that comes from doing this on other platforms and in other contexts for many years. They are low key and humble despite the Stanford connections and top tier pedigrees and value-add to founders. Feels like partnering with trusted friends."

Timing is essential in investing, and everyone knows the public markets are down in the dumps this year. That is undeniably a concern. "It does impact how we think about financing risk," Lukatch said. "I've done this for 22 years, and have lived through multiple cycles. Financing risk is back on the table. For about 10 years, if you had decent results, you could raise more capital, and at a decent valuation. In today's environment, people are more concerned of making sure their existing companies are well funded. Deal velocity has slowed down tremendously."

That said, the combination of discovery science in academia and the maturation of enabling technologies has produced a bounty of new investment ideas. Red Tree's first 10 investments show an interest in oncology, neurology, and immunology. The firm appears to have an omnivorous taste in technology, with investments in bispecific antibodies, small molecules, gene editing, adoptive cell therapies, and peptide conjugates, among other therapeutic interventions. There's enough here for a scientific geek to shake off whatever the NASDAQ says on a given day, as long as you have the luxury of time to allow these things to mature.

"There's never been a better time to invest in biotech than right now," Lukatch said. "The technology and the maturity of some of these technologies that have been working through the pipeline is at a fantastic point. You combine that with a down market, and valuations are pretty attractive and becoming more attractive. As a new fund, that's a great concurrence of events."