

**MARKET UPDATE:
Q1 2021**

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MENTAL HEALTH DETERIORATES

In New York City (where we're based), I am seeing more gatherings happen, businesses reopened, vacant storefronts filled, apartments rented, and families reunited. Mayor Bill de Blasio announced that the city would be fully reopening by July 1st. Whether these measures are responsible or not is another issue, but on the surface, the return to "normal life" in the U.S. is undeniable.

Over 100 million Americans (or a little over 30% of the U.S. population) have now been vaccinated for the COVID-19 virus. In the wake of the destruction and death caused by the virus, we are seeing signs of recovery.

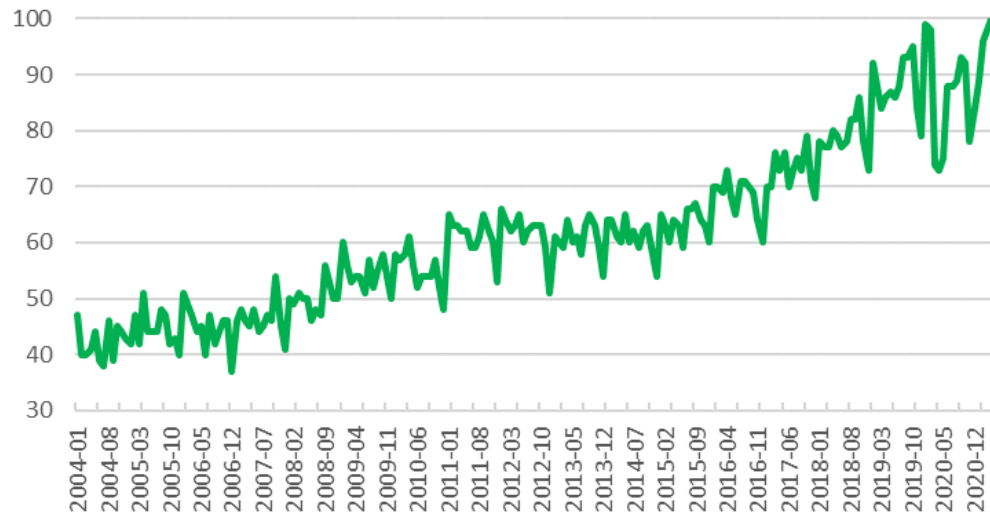
However, it is no surprise that the pandemic has had considerable psychological effects on our society from spikes in depression & anxiety, to addiction-related deaths, and the neurological injuries caused by the COVID-19 infection itself.

Google searches for the keywords "therapist" and "psychiatrist" have spiked at the end of April 2021, indicating a potential increase in the demand for mental healthcare.¹

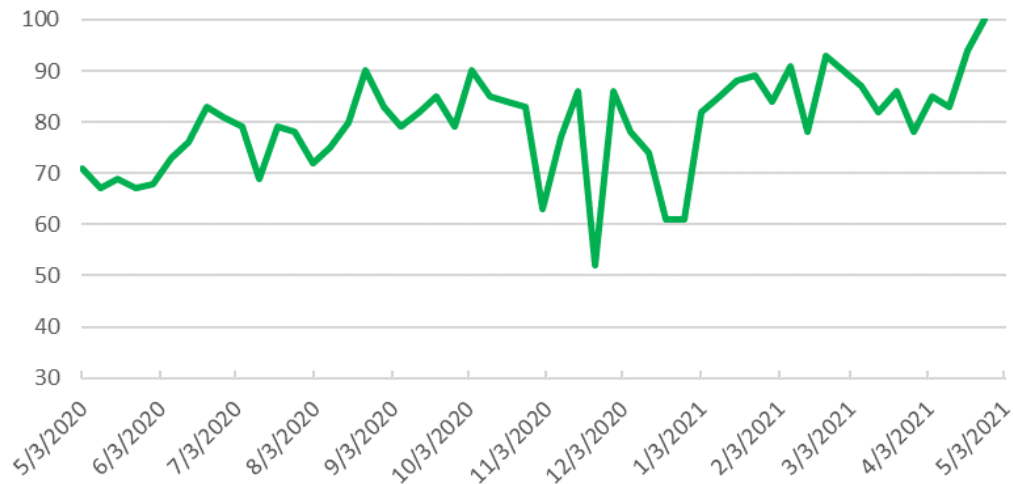
¹ trends.google.com



Google Search for "Therapist" (1/2004 - 5/2021)



Google Search for "Psychiatrist" (5/2020 - 5/2021)

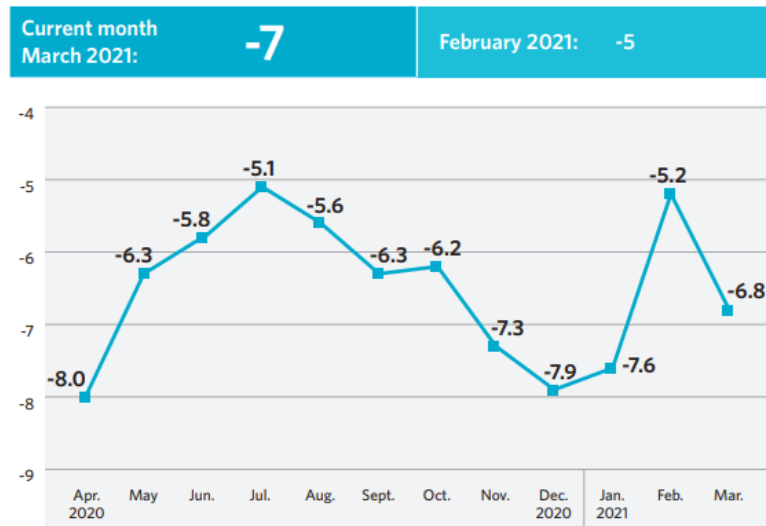




Furthermore, the “Mental Health Index Report” reported that “March 2021 marks 12 consecutive months of diminished mental health among Americans.”²

The Mental Health Index™

The Mental Health Index™ (MHI) is a measure of deviation from the benchmark⁴ of mental health and risk. **The overall Mental Health Index™ for March 2021 is -7 points.** A 7-point decrease from the pre-COVID-19 benchmark reflects a population whose mental health is similar to the most distressed fifteenth percent of the benchmark population.



In light of National Mental Health Awareness Month, the Biden Administration announced continued support of mental healthcare for Americans:

“My Administration is focused on building an improved, expanded system of care for the mental health needs of adults and children. This will require an increase in the number of mental health professionals. Building on a program in the American Rescue Plan, I have requested \$1 billion in funding to expand the number of school-based mental health professionals, including school psychologists and counselors to address the mental health needs of students. The American Rescue Plan also delivered \$3 billion for substance use and mental health care block

² <https://www.morneaushepell.com/permafiles/93394/mental-health-index-report-united-states-america-march-2021.pdf>



grants. These funds also ensure that States provide pathways to prevention, intervention, treatment, and recovery services — especially for underserved communities. The American Rescue Plan also included \$420 million in funding to support Certified Community Behavioral Health Clinics to expand access to high-quality, evidence-based behavioral health services. Certified Community Behavioral Health Clinics are also committed to involving peers and families, who are essential to mental health recovery.”³

While we believe that government support of mental healthcare is a crucial piece of the puzzle to close the supply shortage of mental healthcare providers, this type of funding can be subject to the whims of the current presidential administration and legislators. Innovation in the private sector is integral to ensure adequate access to quality care of mental and brain health care over the long-term.

From the vantage point of mental and brain health innovation, 2021 has been a wild year due to record funding, emergence of SPACs and unicorns, celebrities and other high-profile engagement in mental health innovation, and other developments.

³ <https://www.prnewswire.com/news-releases/lyra-health-completes-187m-series-e-financing-to-advance-comprehensive-mental-health-care-301217055.html>

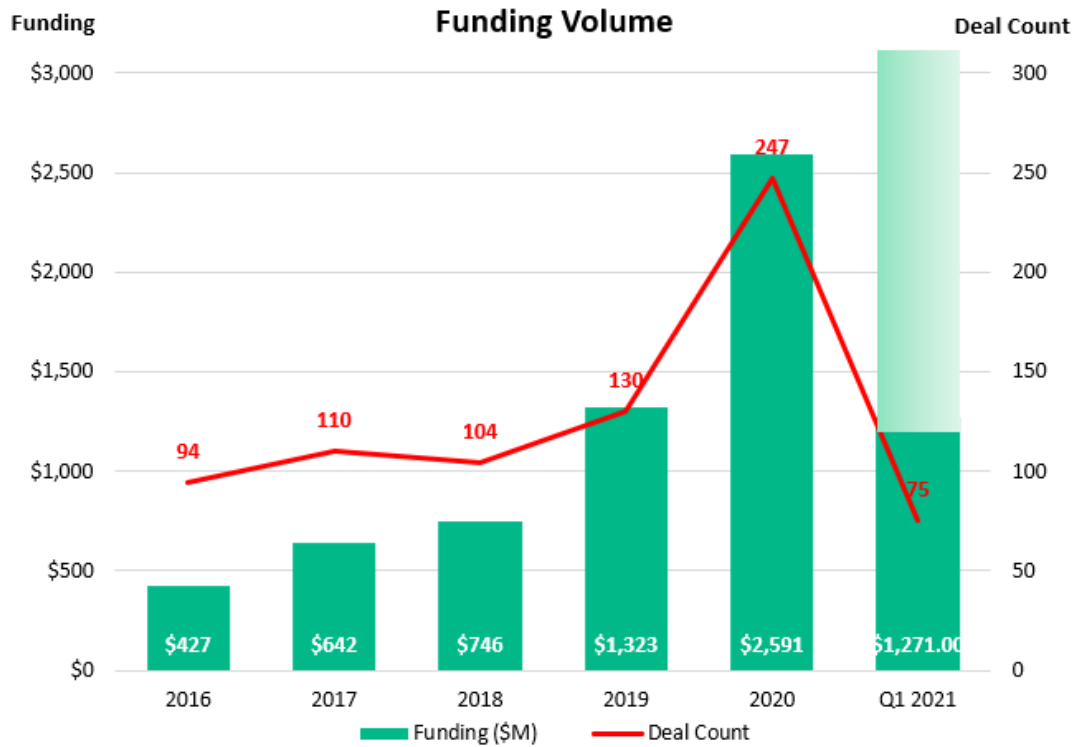


Q1 2021 FUNDING

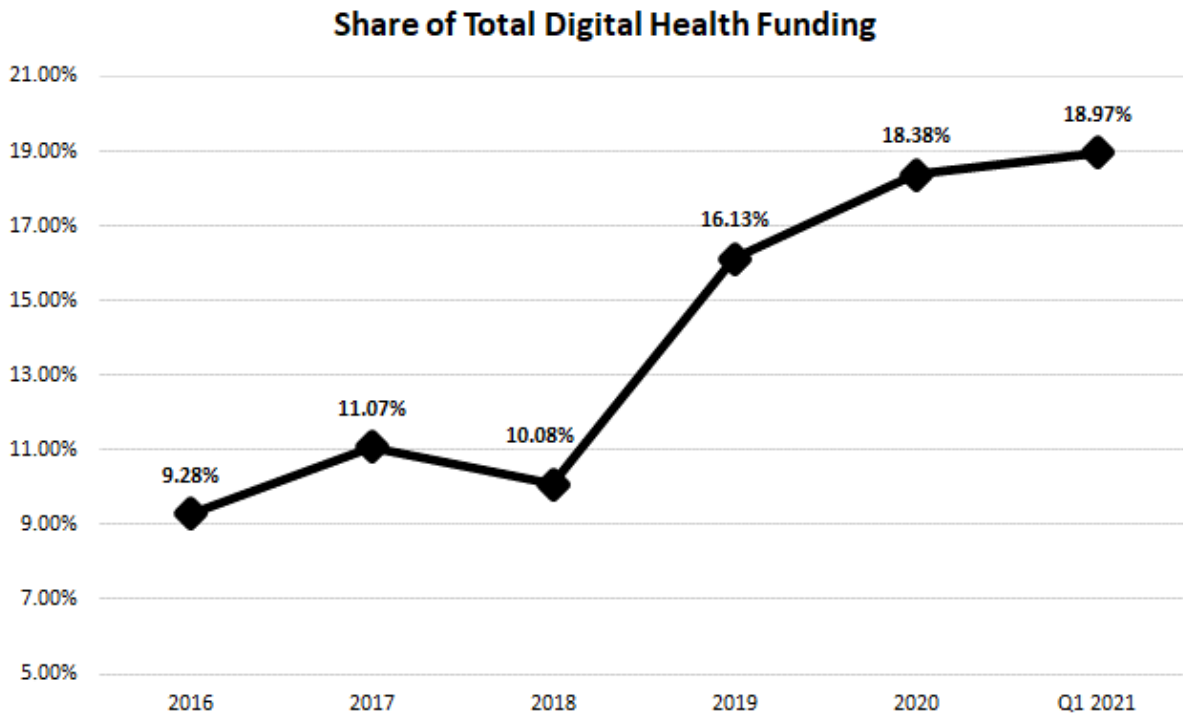
According to GIMBHI, in Q1 alone **\$1.27 billion in venture funding was raised for 75 mental, behavioral, and brain health (MBH) startups** all over the world. For comparison, at the end of April last year, 2020's total funding volume was roughly \$650 million.

To clarify what we include and what we don't include in this figure, our venture funding volume figure does not include private equity buyouts. Also, we don't include companies that don't have a *considerable* focus on mental, behavioral, or brain health. This means we don't include funding for companies like Ro, generalist telehealth platforms that might also treat mental/behavioral health, etc. While we do track this information, we don't include it in our funding figure. If we operated under that much broader measure of mental health funding, Q1 2021 funding would be \$4B+. In addition, from our network of founders in space, scouring regulatory filings, startups new websites in other languages / countries, we do get information on deals that aren't reported in Crunchbase & Pitchbook.

GIMBHI projects that venture funding for MBH startups will be over \$3+ billion by the end of 2021. We expect more innovation and consequently funding for digital therapeutics, technology related to psychedelic medicine, neurotechnology, and solutions targeting pediatric/adolescent mental health. MBH startups share of **total digital health venture funding stayed steady at ~19%** and we expect that approximate level to be maintained in 2021.








Source: GIMBHI Database, Crunchbase, Pitchbook



Source: GIMBHI Database, Rock Health



Some notable larger financings from Q1 include **Lyra's \$187M Series E**, **Ginger's \$100M Series E**, **Happify's \$73M Series D**, **Viz.ai's \$71M Series C**, and **Modern Health's \$74M Series D** (note that this does represent a comprehensive list of larger funding rounds).

Company	Date (2021)	Amount	Funding Type	Selected Investors	Total Funding	Valuation	Category	Description
 Lyra	1/28	\$187M	Series E	Fidelity, Addition, Durable Capital Partners	\$480M	\$2.3B	Telehealth	Developer of a platform that offers teletherapy, telecoaching & digital self-care tools
 ginger	3/24	\$100M	Series E	Blackstone, REMUS Capital	\$236M	\$1.1B	Telehealth	Developer of a virtual healthcare platform designed to provide on-demand mental health support
 h	3/17	\$73M	Series D	Deerfield Management, ION Crossover Partners, Omega Capital Partners	\$118.7M	~\$435M	Digital Therapeutics	Software-enabled healthcare platform developing digital therapeutics
 Viz.ai	3/17	\$71M	Series C	Kleiner Perkins, Threshold, Insight Partners, CRV, Scale Venture Partners, Innovation Endeavors, Susa Ventures, Greenoaks Capital	\$151.6M	\$641M	Medical Device	Medical imaging technology platform that communicates time-sensitive information about stroke patients directly to clinicians
 Modern Health	2/11	\$74M	Series D	Founders Fund, Lachy Groom	\$170M	\$1.17B	Mental Wellness	Developer of a mental wellness platform intended to help companies manage their employee's health benefits

Lyra Health's \$187M Series E

Lyra helps employers connect their employees to mental health services through teletherapy and self-care tools.

This round, completed in January 2021, was led by Addition (an NYC-based VC firm led by Lee Fixel, former head of Tiger Global's PE business) along with Fidelity, Durable Capital, and Baillie Gifford, pushing its valuation to \$2.3 billion. Lyra just completed their \$110M Series D in August 2020, which conferred them unicorn status.

In Q1, Lyra announced partnerships with ICAS World, a global employee assistance program provider covering more than 2400 companies, and Willis Towers Watson. Lyra's other corporate clients include eBay, Amgen, and Genentech.



Proceeds of the funding will support establishing more partnerships like these with “the world’s largest global organizations.”⁴

Ginger’s \$100M Series E

Ginger, a provider of on-demand mental health therapy & coaching platform that 10 million people have access to, became a unicorn at a valuation of \$1.1 billion with the \$100M Series E from Blackstone Growth announced on March 24. Ram Jagganath, Global Health of Health of Blackstone Growth, joined the board of directors.

This comes right after a \$50M Series D raise in August 2020. In 2020, Ginger rolled out a value-based model that allows employers to offer Ginger access to all employees, including unlimited self-guided care and 24/7 on-demand mental health coaching. 60% of Ginger’s new clients have adopted this model. The company reported 3x revenue growth over the past year.⁵

Just in April, Cigna announced that it is offering Ginger’s mental health service as an in-network benefit. It is not surprising that Cigna is an investor in Ginger. This was another example of Cigna’s decisive push into virtual care. Cigna’s subsidiary Evernorth completed its acquisition of telehealth platform, MDLIVE. Cigna was also an early investor in MDLIVE.⁶

Proceeds of the financing will be used to expand access to value-based care through “additional partnerships with multinational employers and health plans.”

Happify Health’s \$73M Series D

In March, **Happify Health** announced a \$73 million Series D led by Deerfield Management. Other investors included Omega Capital and Israel-based ION Crossover Partners (\$2.5B in AUM). Proceeds of the financing will support expansion of their digital therapeutics and care delivery businesses.

According to the company, proceeds will help “drive relationships with pharmaceutical companies through configurable digital therapeutics solutions and specialized solutions for enterprise and health

⁴ <https://www.prnewswire.com/news-releases/lyra-health-completes-187m-series-e-financing-to-advance-comprehensive-mental-health-care-301217055.html>

⁵ <https://www.businesswire.com/news/home/20210324005320/en/Ginger-Announces-100-Million-Series-E-Financing-from-Blackstone-to-Bring-Value-Based-Mental-Healthcare-to-Millions-of-Employees-and-Health-Plan-Members>

⁶ <https://www.fiercehealthcare.com/payer/cigna-s-evernorth-completes-acquisition-virtual-care-provider-mdlive>



plan customers.” In addition, the capital will support developing AI and ML-based models to power Anna, a software-based coach designed to provide support for chronic conditions.⁷

In addition, Bilal Khan joined Happify Health as CFO. Khan was formerly an SVP in the technology investment banking group at Goldman Sachs.

Viz.ai’s \$71M Series C

In March, **Viz.ai** announced its \$71M Series C led by Scale Venture Partners and Insight Partners, pushing the startup’s valuation to \$641M. Other investors included Greenoaks, Kleiner Perkins, Threshold Ventures, CRV, Innovation Endeavors and Susa Ventures.

Proceeds of the financing will enable Viz.ai to expand beyond stroke to other areas of acute care such as cardiology, pulmonary and trauma.

Viz.ai’s flagship product, Viz LVO, leverages advanced deep learning to communicate time-sensitive information about stroke patients straight to a specialist who can intervene and treat. In February 2018, the FDA granted a De Novo clearance for Viz LVO, the first-ever computer-aided triage and notification software. Viz.ai announced its second FDA clearance for Viz CTP through the 510(k) pathway, offering healthcare providers an important tool for automated cerebral perfusion image analysis. A third FDA clearance was granted in 2020 for Viz ICH, which uses AI to automatically detect suspected intracranial hemorrhage on CT imaging. In 2020, CMS granted Viz.ai the first New Technology Add-on Payment (NTAP) for artificial intelligence software for Viz LVO.⁸

Modern Health’s \$74M Series D / Co-Founder Breakup & Lawsuit

In February, **Modern Health**, a mental wellness platform targeted at employers, announced a \$74 million Series D round led by Founders Fund, raising its valuation to \$1.17 billion. Just four months prior, Modern Health closed its \$51 million Series C round.

The company reported that it doubled its revenue since the company’s Series C back in October. Modern Health’s enterprise clients include Pixar, SoFi, Okta, Carta, Electronic Arts, Rakuten, Clif Bar, Zendesk, and Udemy. Proceeds of the financing will fund expansion to additional enterprise

⁷ <https://www.businesswire.com/news/home/20210317005114/en/Happify-Health-Raises-73M-to-Advance-and-Expand-Digital-Health-Platform>

⁸ <https://www.businesswire.com/news/home/20210317005323/en/Viz.ai-Raises-71-Million-Series-C-Round-Led-by-Scale-Venture-Partners-and-Insight-Partners>



customers. Modern Health also announced the acquisition of mental health startup Kip in February as well.




However, in the mental & brain health technology community, Modern Health's reputation has slipped. Co-founder Erica Johnson was terminated from the company after she raised ethical, legal, and liability concerns to a member of the board from Kleiner Perkins.⁹

Johnson is suing Modern Health, co-founder Alyson Friedensohn, and Mamoon Hamid, Partner at Kleiner Perkins. Details on the complaint can be found here: <https://www.dhillonlaw.com/blog/erica-johnson-files-complaint-against-modern-health/>

⁹ <https://www.fiercehealthcare.com/tech/why-2021-could-be-year-healthcare-spac-deals-and-unicorns-ripe-to-go-public>



SMALLER FUNDING ROUNDS

Assorted 2021 Funding Rounds (sub \$20M)							
Company	Date (2020)	Amount	Funding Type	Selected Investors	Total Funding	Category	Description
 zenklub	2/10	\$8.4M	Series A	Indico Capital Partners, GK Ventures, SK Tarpon	\$13M	Telehealth	Brazil-based operator of a healthcare platform designed to provide mental therapy sessions online
moka.care	2/4	\$3M	Seed	Nicolas Dessaigne, Florian Douetteau, Roxanne Varza, Celine Lazorthes, Singular, Ning Li	\$3M	Telehealth	Paris-based provider of a comprehensive platform that helps employees find mental healthcare clinicians
 Pyx Health	3/29	\$12M	n/a	Rallyday Partners	\$19.2M	Interactive Software	A mobile solution that reduces loneliness and social isolation.
Frankie	1/11	\$1.3M	Seed	E15 VC	\$1.5M	Telehealth	A B2B mental health platform that delivers personalised mental healthcare to modern teams.
Ophelia	4/22	\$15M	Series A	Y Combinator, General Catalyst, Menlo Ventures, Refactor Capital	\$17.7M	Patient Tools	A platform that offers medication and support for quitting opioids.
 CHOOSING therapy	4/12	\$5M	Seed	n/a	\$7M	Provider Tools	A platform that makes it easy for therapists to launch and grow a video-based private practice
 2Morrow	4/14	\$1.5M	n/a	Alliance of Angels, Zelkova Ventures, WRF Capital, Frontier Angels	\$2.1M	Interactive Software	Developer of evidence-based digital health and DTx programs that combine technology and behavioral science to address healthcare issues
 Valera Health	2/3	\$3.8M	Series A	AXA Venture Partners, Windham Venture Partners, Figure Eight Investments, Tom Insel	\$11.9M	Telehealth	Valera Health empowers healthcare organizations to scale human-centered care management.
 Daybreak	2/9	\$1.8M	Seed	Maven Ventures	\$1.9M	Telehealth	A provider of online counseling services, especially for teens, helping to stabilize their mental fitness
 innodem	1/19	\$6M	Series A	Morningside Group	\$6.8M	Measurement & Testing	Developer of eye movement biomarkers for neurodegenerative disease



THE INDUSTRY IS GROWING UP

While there is no dearth of early-stage innovation in the mental & brain health space, the ecosystem is certainly maturing and this is evidenced by a few trends: **1) more late-stage funding & unicorns, 2) buyouts & public offerings, 3) health-related companies expanding to mental health.**

Late-Stage Funding & Valuations

In Q1 2021, over 40% of the \$1.27 billion of total funding volume was for late stage MBH startups (Series C and later), signaling that the emerging mental & brain health innovation industry is maturing. For contrast, in 2020, only 14% of total funding was invested into late-stage startups.

Naturally, valuations are higher in late-stage startups, but the industry has seen the emergence of a few unicorns very recently: **Modern Health (\$1.17B), Ginger (\$1.1B), Lyra Health (\$2.3B), & Therapy Brands (\$1.2B).**

Buyouts & Public Offerings

Hand-in-hand with higher valuations, the mental & brain health technology space has seen the entry of traditional private equity investors and SPACs buoyed by retail investor interest.

In addition to Blackstone's \$100 million investment in Ginger, which achieved a \$1.1 billion valuation, in April KKR announced plans to buy a majority stake in health software company, **Therapy Brands**. Bloomberg reported that KKR would pay \$1.2 billion.

Therapy Brands, founded in 2013, is a provider of electronic health record and practice management software for providers working in mental health and behavioral health. "We are delighted to be backing Therapy Brands at a time when there is increasing recognition and social awareness about the importance of mental health," said Max Lin, a KKR Partner who co-leads the health care industry team for KKR's Americas Private Equity business.¹⁰

As startups mature, private equity giants are recognizing the massive market opportunity in mental health technology. And exits are also happening in the public markets.

¹⁰ <https://www.prnewswire.com/news-releases/kkr-to-acquire-therapy-brands-301264526.html>



In addition, a couple mental health-related startups went public via SPAC in Q1 2021. A slew of exits through the public markets is certainly reassuring the investors, founders, and other stakeholders in the ecosystem. Interestingly, SPACs seem to be targeting companies a little unripe for IPOs. According to Rock Health, digital health startups that go public through a SPAC have raised \$43 million less in total funding than those that went public through an IPO, and were 5 years younger on average.¹¹

In January, the SPAC Hudson Executive Investment announced it would acquire **Talkspace** for \$1.4 billion, which is 11x 2021's revenue. According to the sponsor, Talkspace will use a \$250 million investment to expand partnerships and expand internationally. The deal is expected to close early first quarter.¹²

Better Therapeutics, a prescription digital therapeutics company delivering CBT to address the root causes of cardiometabolic diseases, entered into a merger agreement with the SPAC, Mountain Crest Acquisition Corp II. The deal values Better Therapeutics at \$187 million and is expected to close in the summer.¹³

Health-Related Companies' Expansion

As the mental health innovation ecosystem matures, recently we have seen other companies from peripheral industries expand into mental health tech.

In February, 98point6, an on-demand text-based primary care app, and Onduo, a virtual diabetes coaching program, both expanded to offer mental health services. Earlier in the year, Hims and Heal were startups that also launched mental health service offerings. Hims, a consumer health company, announced the expansion of mental health offerings in July 2020. The company went public via SPAC in January and trades on the NYSE under the symbol HIMS.¹⁴

¹¹ <https://rockhealth.com/reports/glitter-or-gold-what-the-spac-trend-means-for-digital-health/>

¹² <https://www.nanalyze.com/2021/04/talkspace-stock-mental-health-stock/>

¹³ <https://www.mobihealthnews.com/news/diabetes-dtx-startup-better-therapeutics-heads-public-markets-spac-deal>

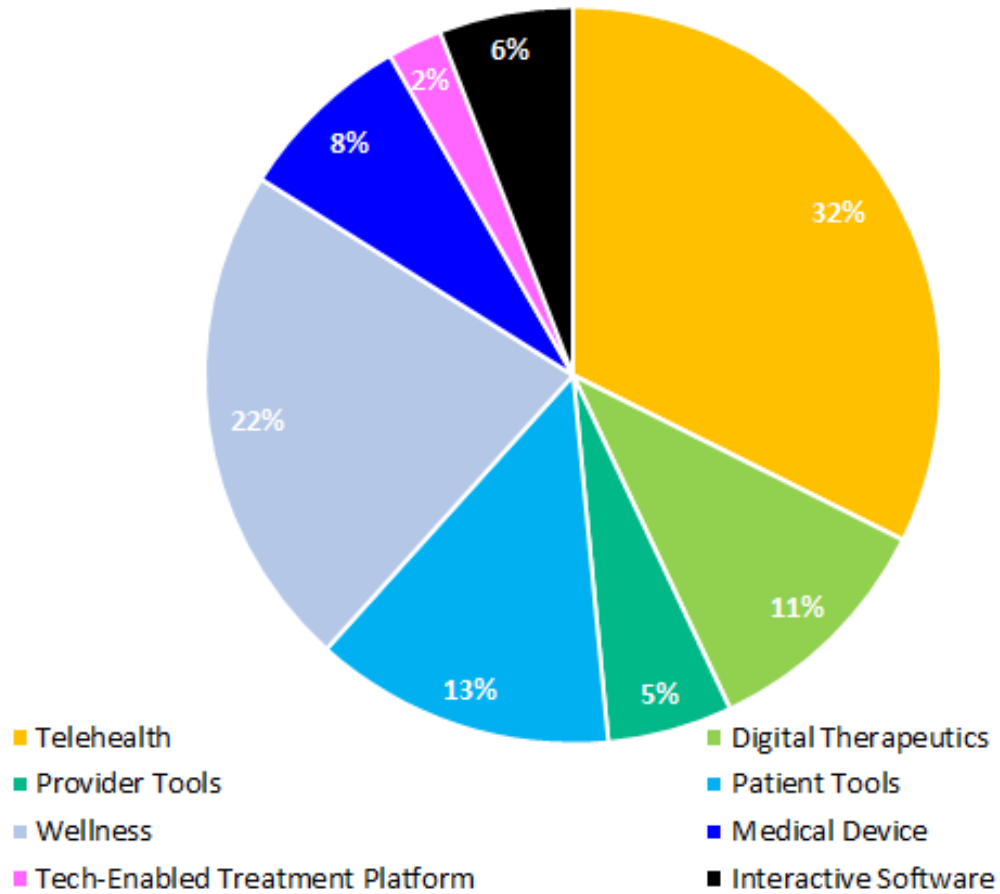
¹⁴ <https://www.mobihealthnews.com/news/hims-hers-closes-its-spac-merger-lists-nyse>



Just a few weeks ago in late April, Accolade, the health navigation and benefits solutions company, announced that it will acquire PlushCare for \$450 million. PlushCare describes itself as a company that offers virtual primary care and mental health treatment. The deal is supposed to close in June.



Q1 2021 FUNDING VOLUME BY CATEGORY



Source: GIMBHI Database, Crunchbase, Pitchbook



GIMBHI MARKET MAP





ANNOUNCEMENTS

[Picking Brains: GIMBHI's mini-video series](#)

The GIMBHI team just launched a mini-video series called Picking Brains! Click [here](#) to watch. So far, we've had Shay Houser (Co-Founder & CEO of YouTurn), Smit Patel (of Xcenda), and Johnny Crowder (Founder of CopeNotes) join. Reach out to us if you'd like to nominate anyone!

Videos

Shay Houser Co-Founder & CEO of YouTurn



Smit Patel of Xcenda



Johnny Crowder of Cope Notes



[GIMBHI's Public Company Tracker](#)

We've launched our public company tracker. Currently, we are tracking share price, category according to GIMBHI taxonomy, market cap, historical returns, and beta of publicly-traded mental, behavioral, and brain health companies. It's a work in progress so let us know if you'd like to see any other information or if we missed any companies. Access the tracker [here](#)!

Newsletters

If you're interested in **mental wellbeing** in any sense, do subscribe to **Rich Goddard's Monday State of Mind** here: <https://www.richgoddard.co/monday-state-of-mind>

If you're interested in psychedelics, **Psilocybin Alpha** created by Josh Hardman has excellent coverage of the industry: <https://psilocybinalpha.com/>

Here's another newsletter on startups & investors in mental health created by Daniel Tarockoff: <https://onthemind.substack.com/>



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meetup.com/Mental-Health-Startups-Investors

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