

**MARKET UPDATE:
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MENTAL HEALTH HAS ENTERED THE CHAT

Despite the fact that over 80% of people will experience mental health issues at some point in their lives, stigma and lack of mainstream awareness has long kept mental health out of the limelight.

A friend who's in his 70s told me that issues like anxiety and depression weren't really considered real health issues when he was in college. According to a study on public conceptions of mental illness in the 1950s, back then "there was a strong tendency for people to equate mental illness with psychosis and to view other kinds of emotional, behavioral, or personality problems in non-mental health terms as an emotional/character difference of a non-problematic sort [...] it was because mental illness was defined in such narrow and extreme terms that the public feared, rejected, and devalued people with mental illnesses."¹

Undoubtedly, we have come far as a society since the 1950s regarding the attitude towards mental health and those who suffer from mental illness. However, the stigma persists. Even within the mental healthcare industry itself, the stigma of mental illness is often discussed and acknowledged – yet it seems to thrive. I've talked to multiple therapists and psychiatrists who have felt pressure to keep their mental health issues a secret. Nevertheless, the COVID-19 pandemic and very recent events in 2021 have truly brought the conversation around mental health into the fore. ***It is safe to say that we are in the midst of a marked revolution in***

¹https://www.jstor.org/stable/2676305?origin=crossref&seq=1#metadata_info_tab_contents



our society regarding mental health, evidenced by changes in the treatment of mental health within major social institutions of culture, government, and the economy.

Just a few days ago, Simone Biles, the defending champion in the individual all-around gymnastics' final at the Tokyo Olympics, pulled out due to mental health issues. Just a few months ago in May, Naomi Osaka withdrew from the French Open, due to the detrimental effect of press conferences on her mental health. In March, Prince Harry and Meghan Markle, opened up about their struggles with mental health publicly in an interview with Oprah, after stepping down as members of the royal family. Meghan Markle discussed suffering from suicidal thoughts. Since then, Harry joined a mental health startup as Chief Impact Officer and teamed up with Oprah to launch a mental health-focused docuseries called *The Me You Can't See*, which aired its first episode in May. Last year, Selena Gomez launched the Rare Impact Fund with the goal of raising \$100M to address gaps in mental health services and resources.

The point is that some of the most adored and talented people in our society— world-class athletes, singers, actresses, princes and princesses – the keepers of mainstream culture in the US, the UK, Japan, and elsewhere – are all talking about mental health openly. While this is certainly a grave testament to the prevalence of mental illness, the silver lining is that the stigma is beginning to dissolve.

Governments are also recognizing the toll that mental illness takes on society and taking actions to get people care. In the US, the COVID-19 Relief spending bill signed into law at the end of 2020 earmarked \$4.5 billion of funds for mental healthcare. And in March of this year, the Biden Administration agreed to provide nearly \$2.5 billion in funding to states and territories to address the nation's



mental illness and addiction crisis. It wasn't just the US though. In March, the UK government allocated ~\$700 million to expand mental health services, and in May, the Australian government pledged ~\$1.7 billion, which is notable given Australia's relatively small population of ~25 million. Cultural icons and leaders in governments across the world are recognizing and acting upon the dire issue of mental illness. Business leaders, investors, and corporations have started to realize the importance of mental healthcare as well.

Massive strides were made in the psychedelic medicine industry (which largely treat mental health indications) over the last year and today the market cap of publicly traded psychedelic companies exceeds \$8 billion. In the world of technology for mental, behavioral, and brain health (MBH), according to GIMBHI's database, investors all over the globe poured \$6 billion into these startups in 2020 and 2021. Investors are recognizing the massive unmet need for mental healthcare, and understand that traditional care and clinicians will not be able to satisfy this demand, without the help of technology. According to our data, the market cap of private companies in the mental, behavioral, and brain health space is well over \$30 billion. 2021 is the year that mental health has entered the mainstream of our culture. It has become a priority for our governments. And it has certainly garnered the sustained attention of the private sector. We hope these changes are here to stay and we continue to work for a future in which everyone in the world has access to high-quality affordable mental, behavioral, and brain healthcare.

Without further ado, we will dive into the data and trends we saw in MBH startups in the first half of 2021.

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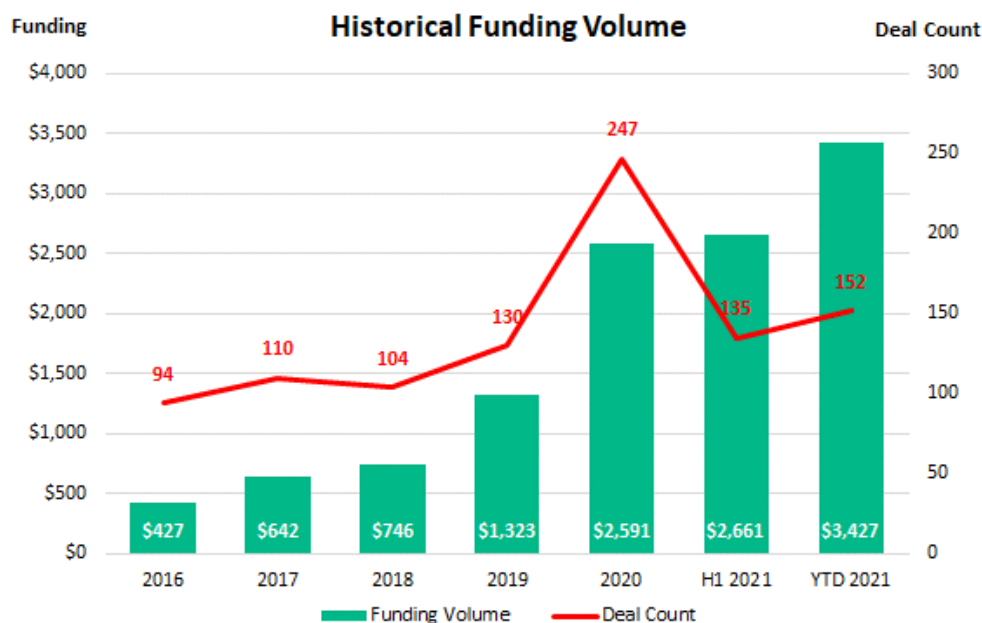
FUNDING

The COVID-19 pandemic jumpstarted the investment and adoption of healthcare technology and MBH startups rode the wave. As mental health issues skyrocketed during the pandemic, the case for innovation in the space was stronger than ever, driving investors to flood the ecosystem with capital.

In 2020, ~\$2.6 billion was invested in 247 MBH startups, representing a 96% increase from 2019. Many chalked up the inflows as temporary fervor driven by mental health issues caused by COVID-19-related measure. But the pace of investment continues to accelerate demonstrating the demand for mental health solutions.

In the first half of 2021 alone (Jan 1 to June 30), a jaw dropping ~\$2.6 billion of capital was invested across 135 MBH startups.

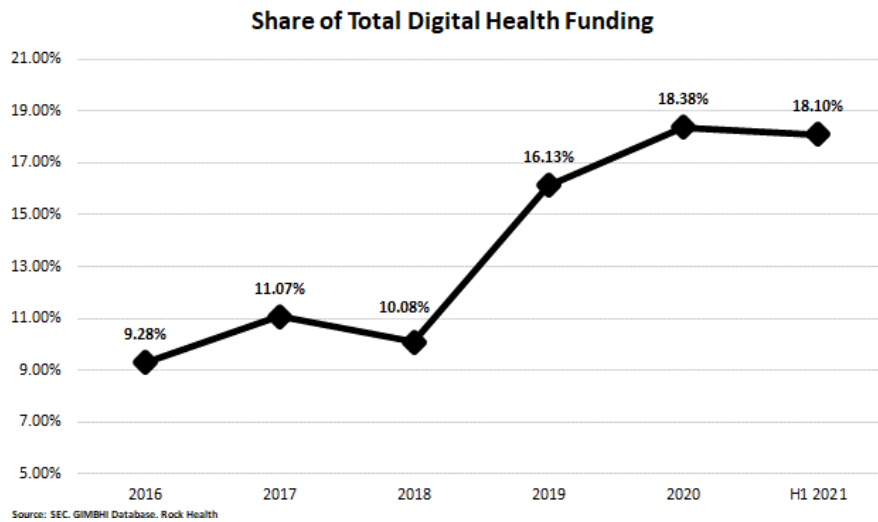
In our previous report published in May, we projected that 2021's total funding volume for MBH startups would be over \$3 billion, which would have represented a 20% increase from 2020. However, to date total funding volume has surpassed \$3 billion. Proof of the continuing momentum and investor appetite, over \$750 million of capital was deployed between June 30 and August 3 – putting the total YTD 2021 funding volume at \$3.4 billion.



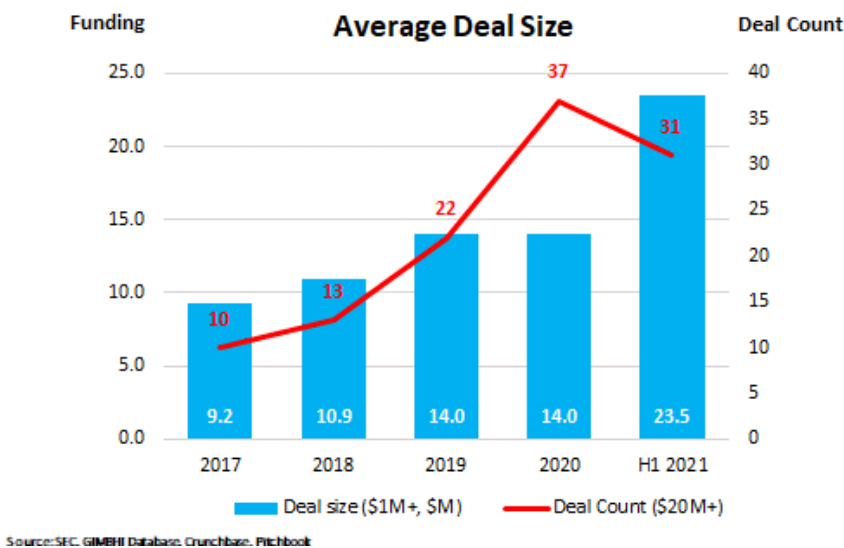
Source: SEC, GIMBHI Database, Crunchbase, Pitchbook



While this was certainly a record half-year for investments in MBH startups, digital health startups in general experienced a surge in funding with a total of \$14.7 billion in the first half of 2021. According to Rock Health, “investors didn’t change their overall strategies going into or emerging from the pandemic. Rather, they’re doubling down on their bets.”² So MBH startups’ share in total digital health funding stayed relatively stable at ~18%.










We noted in our Q1 2021 report that the mental health tech industry is maturing, citing more late-stage funding & unicorns and PE investor interest.



² <https://rockhealth.com/reports/h1-2021-digital-health-funding-another-blockbuster-year-in-six-months/>



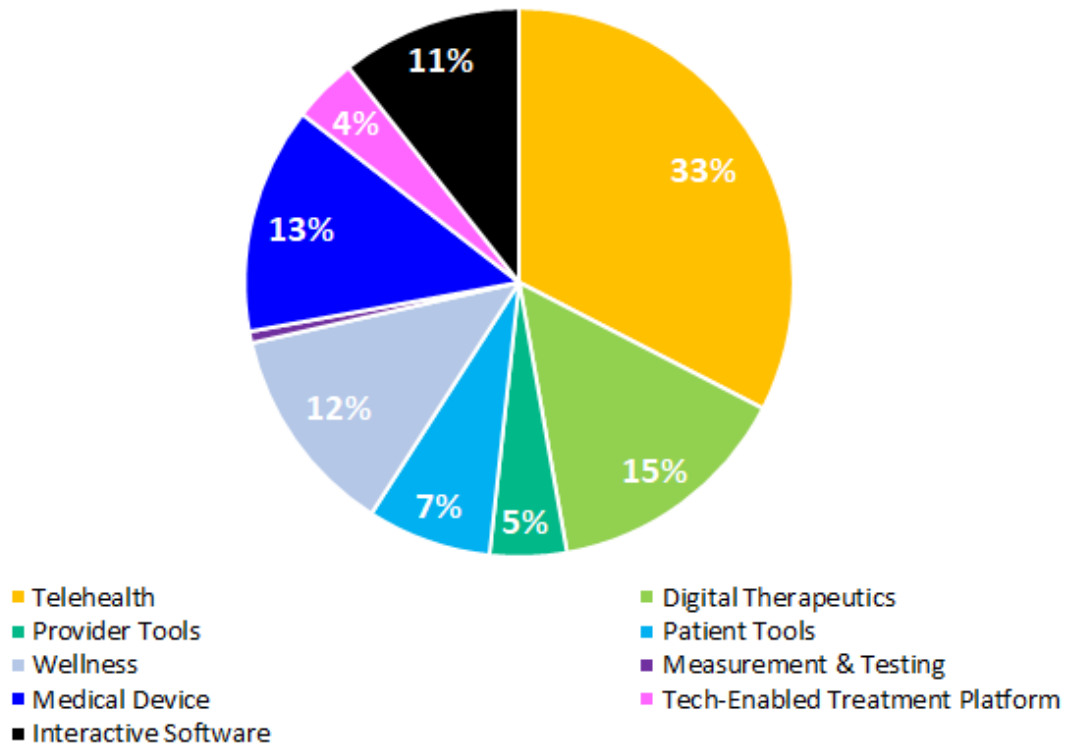
These trends have sustained and we have certainly seen larger and later stage funding in the first half of 2021. According to the GIMBHI database, there were 31 deals larger than \$20M in the first half of 2021 (ending June 30) compared 37 for the entire year in 2020. Average deal size in H1 2021 increased to \$23.5 million, representing a 67% increase from \$14 million in 2020. This is likely due to huge, late stage financings, as companies in the space mature. See the below table for a few notable \$50M+ funding rounds that happened after Q1 2021:

Company	Date (2021)	Funding Amount	Funding Type	Selected Investors (Last Round)	Total Funding	Category	Description
 ceribell	4/29	\$53M	Series C	Longitude Cap., RA Cap., The Rise Fund, Red Tree VC	\$112M	Medical Device	Developer of an EEG system to diagnose & treat patients at risk for seizures
 Headway	5/4	\$70M	Series B	A16Z, Accel, GV, Thrive Cap.	~\$103M	Patient/ Provider Tools	Software-enabled therapist network that onboards practices into insurance networks
 brightline	5/17	\$72M	Series B	7wire Ventures, Gaingels, GV, Optum Ventures	\$97M	Telehealth	A virtual behavioral healthcare platform for kids, teens, & their families
 AKILI	5/26	\$160M	Series D	Amgen, Evidity, Jazz VP, M Ventures, Mirae AM, Temasek, Shionogi, Polaris, NLV, QUAD IM, Ladera, Omidyar	\$279M	Digital Therapeutics	Developer of video game-based PDTs for ADHD, MDD, ASD, and other indications
 Cerebral	6/10	\$127M	Series B	Access Industries, Oak HC/FT, Silver Lake, ARTIS, Trousdale, Unicorn VP, WestCap, Bill Ackman	\$162M	Telehealth	A mental telehealth company that offers online care & medication management
 Lyra	6/14	\$200M	Series F	Coatue Mgmt, IVP, Sands Capital	\$680M	Telehealth	A mental telehealth platform
 Quit Genius	7/19	\$64M	Series B	StartUp Health, Octopus Ventures, Kinnevik, Triple Point, Atomico	\$79M	Interactive Software	A behavioral health platform that uses digital CBT to treat addiction
 Woebot Health	7/21	\$90M	Series B	Jazz VP, Temasek, BlackRock, Mirae AM, NEA, Owl Ventures, AI Fund	\$130M	Interactive Software	Developer of an AI-powered chatbot designed to deliver CBT
 sondermind	7/28	\$150M	Series C	General Catalyst, F-Prime Cap., Drive Cap., FCA VP, Founders Circle Cap., Partners Group, Zoma Cap.	\$183M	Consumer Tools	A behavioral health marketplace that enables patients to find well-matched care



BREAKDOWN BY CATEGORY

YTD 2021 Funding by Category



Source: GIMBHI Database, Crunchbase, Pitchbook

The most funded categories so far in 2021 are Telehealth and Digital Therapeutics, making up 48% of total funding.

Telehealth

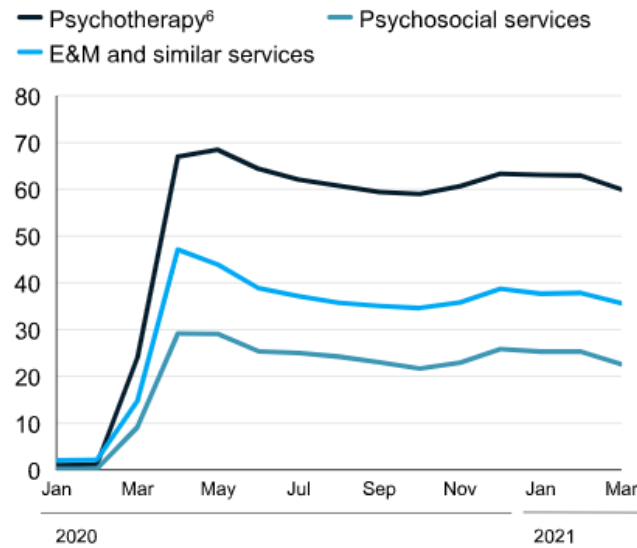
Mental telehealth startups were among the first startups in the MBH space. Talkspace, founded in 2012, trades publicly on the NASDAQ (TALK). Many mental telehealth startups are later stage and consequently raising larger rounds, making telehealth consistently one of the top-funded categories. For example, Lyra Health raised a \$200 million Series F recently and Ginger raised \$100M Series E in March.

These companies continue to grow, raise larger rounds, and command \$1B+ valuations from investors because there is still a massive unmet demand for virtual care. According to McKinsey,



there was a 25x increase in behavioral health related telehealth claims between 2019 and 2020. Furthermore, telehealth claims for behavioral health have remained at elevated levels.³

Telehealth claims as a proportion of total claims in 2020, ^{5,7} %



Factors contributing to the increase and persistence in telehealth use

-  High portion of care that can be shifted to telehealth (psychotherapy and E&M account for ~60% of all BH claims⁵)
-  Implementation of policies to expand access to and ease adoption of telehealth
-  Individual behaviors and preferences
-  High patient satisfaction with telehealth services

The continued use of telehealth platforms for mental & behavioral health even post-pandemic illustrates the robust demand for these services. According to Teladoc’s recent quarterly filing (8/2/21)⁴ “total revenue was \$503.1 million for the quarter ended June 30, 2021, compared to \$241.0 million during the quarter ended June 30, 2020, an increase of \$262.1 million, or 109% [...] increase in revenue was driven primarily by the generation of additional access fees by our Membership base, particularly among behavioral health specialties”

Even though it seems that demand for mental telehealth services aren’t waning any time soon, the larger, late stage telehealth platforms are pursuing aggressive growth strategies to keep up with their valuations. Lyra Health, which just raised \$200M round at a valuation of \$4.6 billion, is working with

³ <https://www.mckinsey.com/industries/healthcare-systems-and-services/our-insights/insights-on-utilization-of-behavioral-health-services-in-the-context-of-covid-19>

⁴ <https://ir.teladoc.com/financial-info/sec-filings/default.aspx>



EAP-provider ICAS to expand internationally. ICAS currently provides access to mental health providers in 180 countries, and Lyra plans to launch an app for its new international members.⁵

Ginger, another mental telehealth unicorn which recently raised \$100M in Series E funding from Blackstone, is expanding its focus to include teens. Ginger for Teens, which will be available this month, is created for adolescents between 13 and 17. In addition, Ginger has made significant progress with payers. As of April 2021, Ginger is available as a health benefit for Cigna's 14 million members⁶. More recently in July, Ginger announced a new partnership with AmeriHealth Caritas District of Columbia. According to Behavioral Health Business, "under the agreement, all 110,000 AmeriHealth Caritas DC Medicaid plan enrollees will have access to Ginger's full suite of virtual mental health services for free."⁷

The outlook for specifically mental telehealth startups look extremely strong because in July, CMS proposed lifting restrictions on telehealth access for the treatment of mental health disorders. According to Healthcare Finance, "Along with this change, CMS is proposing to expand access to mental health services for rural and vulnerable populations by allowing, for the first time, Medicare to pay for mental health visits when they are provided by Rural Health Clinics and Federally Qualified Health Centers, to include visits furnished through interactive telecommunications technology."⁸

Digital Therapeutics

As digital therapeutics startups continue to generate more clinical evidence through studies, more and more capital continues to be invested. Digital therapeutics have taken 15% of all MBH funding in 2021 so far.

Payer reimbursement is the holy grail for many digital therapeutics. However, from the payer perspective, there is an added emphasis on robust health and economic outcomes data to achieve reimbursement coverage and determine reimbursement levels. As digital therapeutics developers generate more clinical data supporting their products, the pathway to profitability becomes clearer and investor interest increases. While these startups have certainly made progress, right now, only a

⁵ <https://medcitynews.com/2021/06/lyra-valued-at-4-6b-plans-to-build-out-international-presence/>

⁶ <https://www.mobihealthnews.com/news/cigna-members-can-now-tap-mental-health-services-ginger-app>

⁷ <https://bhbusiness.com/2021/07/28/ginger-dives-into-medicaid-with-new-amerihealth-caritas-partnership/>

⁸ <https://www.healthcarefinancenews.com/news/cms-seeks-expand-telehealth-mental-health-access>



Happify Health, which just raised a \$74M Series D in March, announced the launch of its first prescription-only digital therapeutic, Ensemble. Ensemble treats depression and anxiety. Happify is seeking FDA clearance through the 510(k) pathway. The product contains 112 neurotherapeutic interventions, according to MD+DI.¹⁰

Another notable digital therapeutics developer is Orexo. In July, Orexo announced the start of its new study on modia, Orexo's digital therapeutic to treat OUD. "The randomized, open-label, parallel-group study will evaluate whether the use of modia™ in combination with sublingual buprenorphine/naloxone background therapy is superior to sublingual buprenorphine/naloxone alone to reduce illicit opioid use. The study is designed to enroll an estimated 400 participants at 35 sites across the US who are voluntarily seeking treatment for documented moderate to severe OUD."¹¹

¹⁰ <https://www.mddionline.com/digital-health/happifys-latest-milestone-shows-pdts-are-hot-demand>

¹¹ <https://www.prnewswire.com/news-releases/orexo-announces-first-patient-enrolled-in-pivotal-study-evaluating-the-efficacy-of-modia-in-combination-with-sublingual-buprenorphine-naloxone-for-the-treatment-of-oud-301324000.html>



VALUATION & EXITS

The deluge of capital invested in mental, behavioral, and brain health startups has yielded ultra-high valuations and consequently public market exits, in addition to an increase in M&A activity.








Select Valuations over \$400M

Company	Valuation*	Recent Funding	Stage	Selected Investors (Last Round)	Category	Description
 Lyra	\$4.6B	\$200M	Series F	Coatue Mgmt, IVP, Sands Capital	Telehealth	Mental telehealth platform
 Calm	\$2B	\$75M	Series C	Lightspeed VP, GSAM, Insight, Permian Bank Cap., TPG, Giant entures, Sound Ventures	Mental Wellness	Meditation app
 BetterUp	\$1.73B	\$147M	Series D	ICONIQ Cap., Lightspeed VP, Salesforce, Threshold, Mubadala Cap.	Mental Wellness	Coaching and mental fitness platform for the workplace
 Modern Health	\$1.17B	\$74M	Series D	Founders Fund, Vintage Investment Partners, Lachy Groom	Telehealth	Mental telehealth and wellness platform for employers
 sondermind	\$1B	\$150M	Series C	General Catalyst, F-Prime Cap., Drive Cap., FCA VP, Founders Circle Cap., Partners Group, Zoma Cap.	Consumer Tools	Behavioral health marketplace that enables patients to find well-matched care
 mindmaze	\$1.1B	\$100M	Series A	Hinduja Group	Medical Device	VR for neurorehabilitation
 ginger	\$1.1B	\$100M	Series E	Blackstone, Tournon, REMUS Cap.	Telehealth	Virtual care platform for on-demand mental health support
 Cerebral	\$1B	\$127M	Series B	Access Industries, Oak HC/FT, Silver Lake, ARTIS, Trousdale, Unicorn VP, WestCap, Bill Ackman	Telehealth	Mental telehealth company that offers online care & medication management
 Headway	\$770M	\$70M	Series B	A16Z, Accel, GV, Thrive Cap.	Patient/ Provider Tools	Software-enabled therapist network that onboards practices into insurance networks
 vida	\$497M	\$137M	Series D	Ally Bridge, AXA VP, AME Cloud, Ardea Partners, Aspect, Canvas, Centene, General Atlantic, NGP Cap.	Telehealth	Virtual care platform that treats mental & physical conditions
 happify	\$435M	\$73M	Series D	Deerfield Mgmt., Ion AM, Omega Advisors	Digital Therapeutics	PDT developer for depression and anxiety
 AKILI	\$410M	\$160M	Series D	Neuberger Berman, Amgen, Evidity, Jazz VP, Ladera, Fearless, Polaris, Shionogi, Temasek, QUAD IM	Digital Therapeutics	Developer of video game-based PDTs for ADHD, MDD, ASD, and other indications

*Valuation data is based on data from sources and third-party databases including Pitchbook



Select IPOs / SPACs

Company	Date (2021)	Valuation	Ticker	Financing Description	Status	Category	Description
 Better+ THERAPEUTICS	4/7	\$187M	NASDAQ: BTTX	SPAC: Raising up to \$113M which includes \$50M PIPE led by Farallon, RS, Sectoral AM, and Monashee IM	Closing Summer 2021	Digital Therapeutics	PDT company offering CBT for cardiometabolic diseases
 NÜROSENE™	6/9	\$25M	CNQ:MEND	IPO: Raised \$9.2M CAD	Trading	Mental Wellness	Tech-driven wellness company providing a wellness app & supplements
 UpHealth	6/10	\$1.35B	NYSE:UPH	SPAC: Acquired GigCapital2 through a reverse merger	Trading	Telehealth	Platform offering care management, telehealth, digital pharmacy, & behavioral health
 LifeStance HEALTH	6/10	\$6.73B (post)	NASDAQ: LSFT	IPO: Raised \$720M	Trading	Traditional	Tech-enabled provider of outpatient mental health care
 PEAR THERAPEUTICS	6/22	\$1.6B (post)	NASDAQ: PEAR	SPAC: Merger with THMA includes up to \$276M in Thimble Point's trust account and a \$125M PIPE	Closing H2 2021	Digital Therapeutics	PDT company offering products for SUD, OUD, insomnia, and other indications
 talkspace	6/23	\$1.4B (post)	NASDAQ: TALK	SPAC: Acquired Hudson Executive Investment through a reverse merger for \$414M	Trading	Telehealth	Virtual behavioral health company
 LIFESPEAK	7/6	\$388M (post)	TSE: LSPK	IPO: Raised \$125M	Trading	Interactive Software	SaaS platform for mental health & wellbeing for mid-sized companies



Select Acquisitions

Date	Deal	Description
5/18	KKR acquires Therapy Brands (TB) for \$1.2B	KKR bought TB, practice management & EHR system for mental & behavioral health, for \$1.2B from GSV, Oak HC/FT, & GSV. TB projects \$50M EBITDA / \$125M revenue in 2021, up from \$35M EBITDA / \$100M revenue in 2020, \$18M EBITDA, \$45M revenue in 2018. The company is valued at 24x EBITDA, and 9.6x revenue.
5/24	ICAS World acquires Hello Tomo (HT)	ICAS World, a provider of mental health and employee wellness, has acquired the UK-based mental health tech startup HT. HT helps users manage depression and has 20k users.
6/8	DarioHealth buys wayForward for \$30M	\$25M is due at closing and \$5M is revenues exceed a certain threshold in 2022. The price will be paid \$6M in cash and \$19M in shares. wayForward provides digital CBT, coaching, &-in-person/elehealth provider visits
6/8	Highmark Innovations (HI) acquires BrainFx	Canada-based DTx developer HI acquired BrainFx, a neurological assessment platform
7/20	Wondr Health buys eMindful	eMindful, provider of mindfulness programs for chronic conditions, was bought by Wondr Health, a digital behavioral change company focused on weight management and chronic disease prevention. In 2019, Wondr Health was bought by Stellus Cap. and the Riverside Company, financed by \$68M of debt from Churchill AM.
7/27	Amwell buys SilverCloud Health (SCH) & Conversa Health for \$320M	SCH is a digital mental health platform that delivers asynchronous clinical and well-being programs to improve outcomes. Amwell paid using 50/50 stock & cash. Expected revenue from both companies combined is \$15M 92% recurring, 70% gross margins. Companies bought at ~21x revenue.
7/27	Aptar buys 65% of Voluntis for \$95M	Drug delivery specialist Aptar buys French developer of digital therapeutics, Voluntis, which reported ~\$5.2M in revenue in 2020. Voluntis is valued at ~18x revenue.
7/27	Hyperice buys Core	Hyperice, valued at \$700M, provides recovery and movement enhancement tech for athletes. Core is both an app and a handheld meditation device for mental wellness. Hyperice bought Core via its sponsors 32 Equity, OneTeam Partners, SC Holdings, and Kaulig Cap.
7/28	Levitee Labs (LL) buys BlockMD	LL, a biotech company, bought Canada-based BlockMD for \$280K. After the acquisition, LL aims to implement psychedelic therapies such as ketamine treatment for mental health, pain and addiction patients.



NOTES ON METHODOLOGY

Note that unlike other startup data platforms – GIMBHI doesn't include funding for companies that don't have a considerable focus on mental, behavioral, or brain health. We don't include funding for companies like Ro, KRY, or generalist health startups that might also address mental/behavioral health. In addition, we don't include proceeds from IPOs or mergers with public vehicles in our private funding volume figures.

EXTRA

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

The GIMBHI team 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/>



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