

**MARKET UPDATE:
Q4 2020**

February 3, 2021

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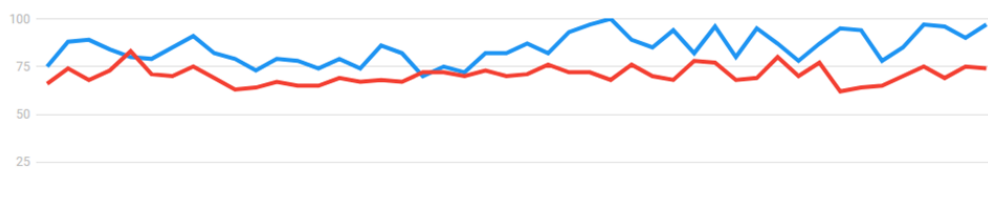
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MENTAL HEALTH FALLOUT

Back in March, not many people I know thought that the pandemic would extend into 2021, but here we are. It's taken a grave toll on our society physically and mentally, but thankfully the vaccines are here. Hopefully, our nation's distribution efforts will get them to the general population as quickly as possible.

While this is a sigh of relief for many, the pandemic and related events have coincided with an alarming spike in mental illness. Below is a screenshot from Google Trends measuring the search interest of the keyword "anxious" from 2020 (blue, 3/15/20 – 1/31/21) and 2019 (red, 3/15/19 – 1/31/20).



According to Mental Health America, the number of people looking for help with anxiety and depression increased 72% from January to September 2020 over the 2019 total. If we annualized the 2020 figure (that measure Jan. to Sept.), that would yield a 129% increase from 2019.¹

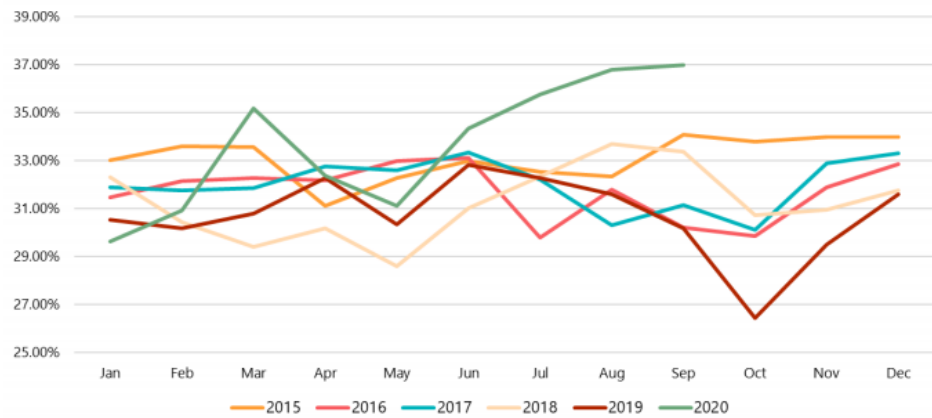
But it's not just prevalence though – it's severity also. In September 2020, 8 in 10 people who took an anxiety or depression screen scored with

¹ https://mhanational.org/sites/default/files/2021%20State%20of%20Mental%20Health%20in%20America_0.pdf



moderate to severe symptoms, according to MHA. More disturbingly, from July to September 2020, 37% of people who screened for depression reported that they experienced thoughts of suicide or self-harm nearly every day. This peak is higher than any single month in at least the last five years.

Percentage Reporting Suicidal Ideation More Than Half or Nearly Every Day 2015-2020



The disruption of daily life, social isolation, lack of access to quality care, economic stress, grief & loss all have had devastating consequences and contribute to the need for mental and behavioral healthcare.

Substance abuse has also spiked along with symptoms of depression and anxiety. In December 2020, the CDC reported 81,000 deaths due to drug overdose in the 12 months ending in May 2020, which is the highest number of overdose deaths ever recorded in a 12-month period. Ever. Synthetic opioids appear are the primary driver of these overdose deaths.²

² <https://www.cdc.gov/media/releases/2020/p1218-overdose-deaths-covid-19.html>



While there is no vaccine of course for mental and behavioral health issues, we do have the people that dedicate their lives to addressing mental, behavioral, and brain health. I'd like to send a sincere thank you from the GIMBHI team to all the clinicians, healthcare workers, and innovators alike have been working nonstop this year to bring mental and behavioral health care to the millions who need it. In 2021, mental healthcare needs to be one of our highest priorities.

Thank you,

Shiv Bhavnani, CAIA
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MENTAL HEALTH TECH IN 2020

The healthcare industry has historically been behind the curve when it comes to technology adoption, but there's no question that the pandemic catalyzed change over the past year. We've seen an unprecedented explosion in the adoption of technology in all areas of healthcare, including mental health. Surprisingly, we've seen cooperation from incumbents, regulators, and investors to facilitate this.

To use Nikhil Krishnan's formal theory of the Six Stages of Health Tech Grief, perhaps necessity (created by the pandemic) and the subsequent enthusiasm for healthcare technology (coming from incumbent healthcare companies, consumers, innovators, and investors) has reduced that Stage 4 plunge preceding the Slope of Enlightenment, at least temporarily³



As the world began to manage, track, and maintain their health digitally, consumer adoption of digital health surged through the pandemic. According to ORCHA, since the beginning of the pandemic, there has been a 25% rise in digital health app downloads.⁴

³ <https://marker.medium.com/why-its-almost-impossible-to-build-a-health-care-startup-that-works-19f7d7af8982>

⁴ <https://www.mobihealthnews.com/news/emea/orcha-reports-explosion-adoption-digital-healthcare-covid-19>



Consumers with mental health needs increased by almost 200% from summer 2019 to summer 2020. In fact, the most downloaded app in 2020 was Wysa, a mental health wellness platform that provides coaching, mood tracking, and mindfulness and anxiety reduction programs.⁵ Wysa is based in Bengaluru, India. Investors include Pi Ventures, Kae Capital, and according to Pitchbook, the company is seeking Series A funding from GV.⁶

Innovation exploded along with investor appetite, as consumers and healthcare providers were pushed to embrace technology. According to Rock Health, US digital health companies raised a total of \$14.1 billion in 2020, up 90% from \$7.4 billion in 2019.⁷

According to GIMBHI's database, a staggering ~\$2.6 billion was raised by 247 mental & brain health startups in 2020, a 96% increase from 2019. Considering the record levels of funding, the emergence of mental health unicorns, IPOs, regulatory loosening, big tech's entrance, 2020 was certainly a memorable year for mental & brain health tech.

⁵ https://www.orcha.co.uk/media/1746/covid_report_jan_2021_final-version.pdf

⁶ <https://my.pitchbook.com/profile/130613-41/company/profile#deal-history/160950-79T>

⁷ <https://rockhealth.com/reports/2020-market-insights-report-chasing-a-new-equilibrium/>



FUNDING

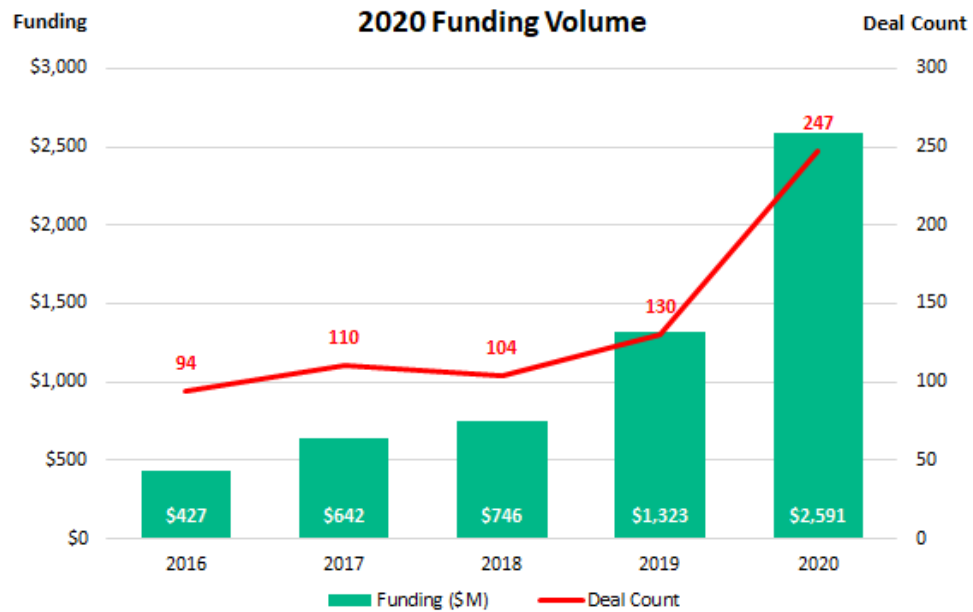
Since we track 1300+ companies in our database, we get questions on how we delineate the mental, behavioral, & brain health (MBH) startup landscape. The answer is our database is global, is primarily tech-focused, and includes all funding types. We include startups from all countries. Concerning sector, we don't include biotech & pharma companies or companies developing pharmacotherapies (i.e. startups developing psychedelic drugs). We don't include traditional mental or behavioral health companies that aren't significantly tech-enabled. And we don't include companies that don't define themselves with a focus or involvement in mental, behavioral, or brain health (i.e. telehealth platforms that might provide lots mental healthcare but don't have a stated focus on mental health). Concerning funding types, we count pretty much anything (even \$20,000 angel checks).

We think these excluded categories and companies are truly integral to the MBH ecosystem. They just don't fit our tech-focused approach to tracking the space (if you're curious about anything having to do with psychedelics, please visit our friends at [Psilocybin Alpha](#))

Volume

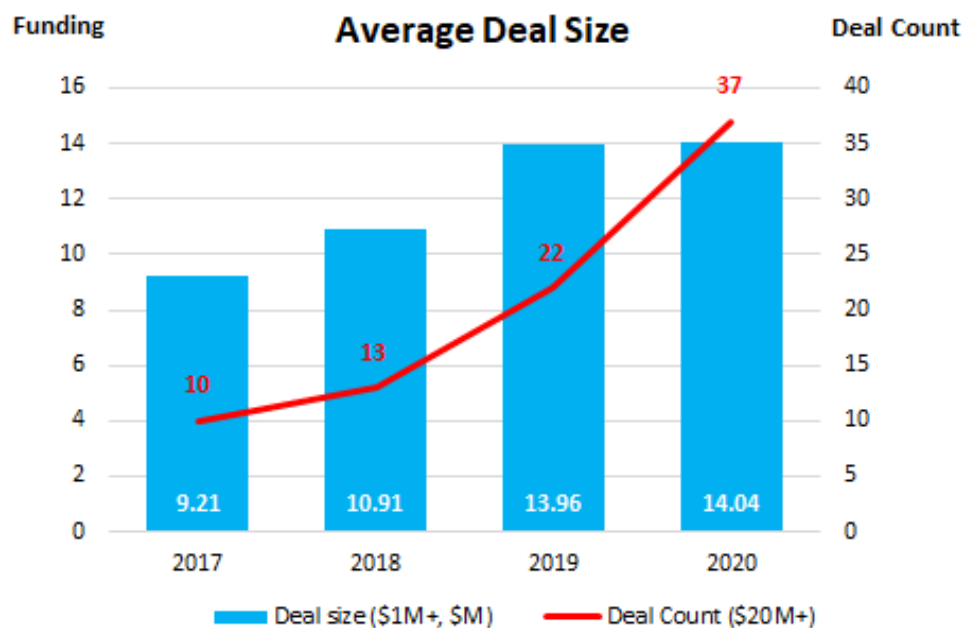
Our database tracked ~\$2.6 billion of funding for 247 MBH startups in 2020, up 96% from last year. Deal count was up ~90% YoY as well. The growth in funding over the last five years has been astounding - \$2.6 billion is 6x the total funding volume for 2016.

At the end of April 2020, MBH funding volume was at roughly \$650 million. At this pace, 2020 would've finished with 1.95 billion. But the pace picked up significantly. While investors paused to assess the environment in the early days of the pandemic, the pace of investment in MBB health startups turned into a sprint in Q3 and Q4, especially as mental health awareness shed light on the massive market opportunity created by unmet healthcare needs.



Source: GIMBHI Database, Crunchbase, Pitchbook

Average deal size (of deals \$1M+) was relatively consistent at ~\$14 million for both 2020 and 2019, signifying that investors were concerned with identifying early stage opportunities and getting exposure to the MBH ecosystem. For context, according to Rock Health, the average digital health deal size was \$31.9 million in 2020 from \$19.7 million in 2019, implying more than a 60% increase.

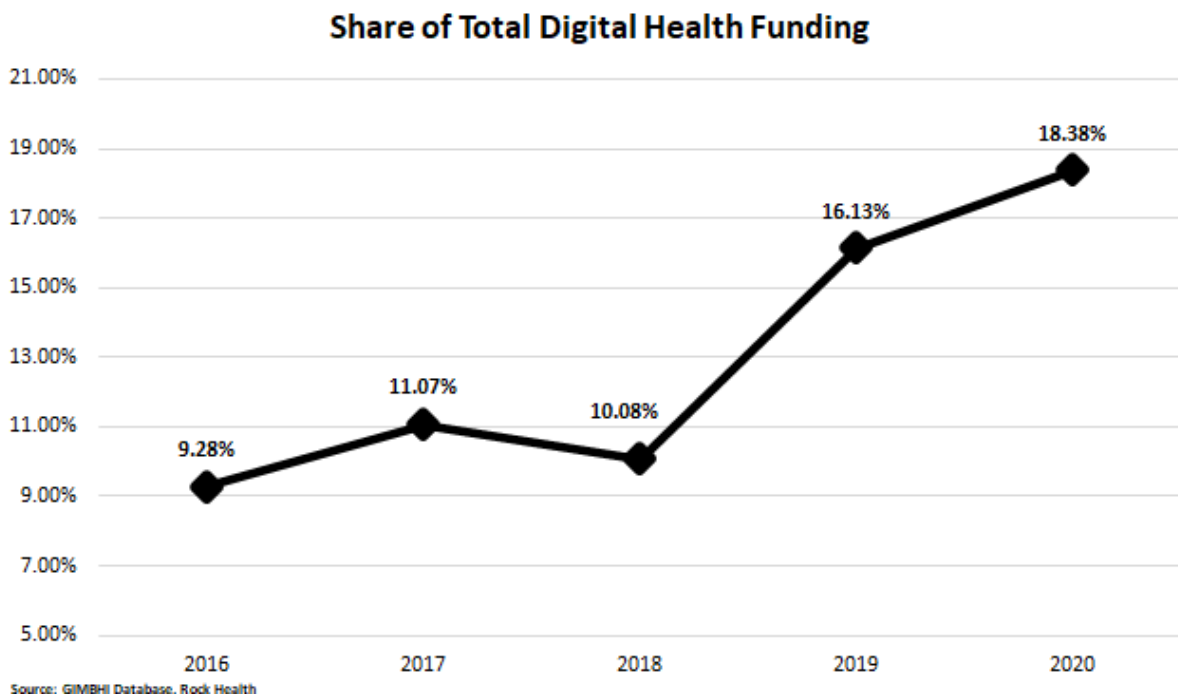


Source: GIMBHI Database, Crunchbase, Pitchbook



This is notable – the relatively static deal size shows us that the MBH space is still truly uncharted territory. While investors are allocating more dollars to mental health, investors aren't in agreement in what areas, approaches, and business models will ultimately be successful in the long run, and therefore we don't observe a dramatic increase in investors clustering around certain deals, which would push up average deal size.

But is appetite for MBB health startups simply a function of the increase of investment into digital health at large?



Despite the impressive leap in digital health funding from 2019 to 2020, MBH startups still managed to attract over 18%, representing a slightly higher share of funding from 2019. Up to 18.4% from 9.3% in 2016, it is evident that MBH health is becoming a more attractive areas within the digital health ecosystem, at least in the eyes of investors.

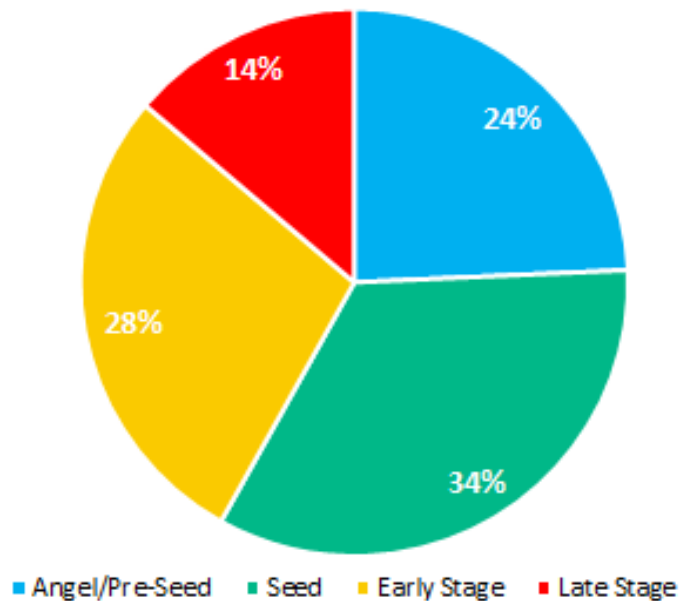
Stage

The MBH health ecosystem is still in its early days. Most categories within the ecosystem are amenable to new entrants, and not fully dominated by a few players. Also, the investment community is still trying to define how to evaluate these startups, and for many categories, the optimal business models are still being determined. This is why (by count) seed and pre-seed



deals make up over 60% of all investments. We define early stage as Series A & Series B, and late stage as Series C and beyond.

2020 Funding by Stage



Source: GIMBHI Database, Crunchbase, Pitchbook

For comparison, according to Rock Health, between 60 – 70% of 2020's digital health funding was Series B or earlier. While their methodology is quite different as they only include U.S. deals >\$2M, 87% of deals in the MBH space were Series B or earlier.⁸

Average round size for seed, early stage, and late stage financings were higher for MBH startups than digital health startups. Also, pre-money valuations at each stage were higher than the average US VC pre-money valuations, according to a report by the NVCA.⁹ Bigger deal sizes and higher valuations are additional illustrations of the investor enthusiasm for MBH health startups.

⁸ <https://rockhealth.com/reports/2020-market-insights-report-chasing-a-new-equilibrium/>

⁹ https://nvca.org/wp-content/uploads/2021/01/Q4_2020_PitchBook_NVCA_Venture_Monitor.pdf



(\$M)	Mean Deal Size	Median MBH Pre-Valuation	Digital Health Deal Size*	Median US VC Pre-Valuation
Seed	\$2.23	\$8.08	n/a	\$7.00
Early Stage	\$15.71	\$34.62	\$13.89	\$30.00
Late Stage	\$61.17	\$138.83	\$57.30	\$76.90

Source: GIMBHI Database, Pitchbook, NVCA

*Average weighted deal size based on Rock Health & GIMBHI data

Category

Rather than categorizations focused on business model or target client, our categorization methodology is product-focused. For example, Unmind is described as a workplace mental health platform that empowers employees to measure, understand, and improve their mental wellbeing. We put Unmind in the Interactive Software category because the platform offers self-guided programs and interactive courses focused on mental health.

The **Wellness** category includes startups focused on mental, emotional, and cognitive wellness which would include meditation, mindfulness, positive psychology, sleep, emotional health, among other areas. Since there is a large contingent of startups developing meditation or mindfulness-related solutions, we have identified the category of Mindfulness (referring to any solutions that are related to meditation or mindfulness) as a subcategory of Wellness.

Measurement, Testing, and Diagnostics includes startups such as Lineagen (a startup that provides genetic evaluation services in autism and developmental delay) and Neurotrack (a developer of digital cognitive health solutions to help individuals assess and monitor their cognitive health).

Interactive Software includes companies that develop software to help treat or cope with mental health disorders, intellectual disabilities, or developmental disabilities. However, this category would exclude prescription software therapeutics. Rethink and myStrength are companies in this category.

The **Provider Tools** category includes tools primarily targeted at mental healthcare providers such as Valant (EHR behavioral health software for private practices) and Eleos Health (a provider of therapy-specific voice analysis software for behavioral health specialists).



Digital Therapeutics includes startups that have developed digital therapeutics or have stated an intention to develop digital therapeutics in the future. This category does not exclusively include startups developing prescription digital therapeutics.

We use the category of **Tech-Enabled Treatment Platforms** to include startups that leverage technology to provide mental healthcare, but still offer traditional, in-person care delivery. This includes startups like TwoChairs and Eleanor Health.

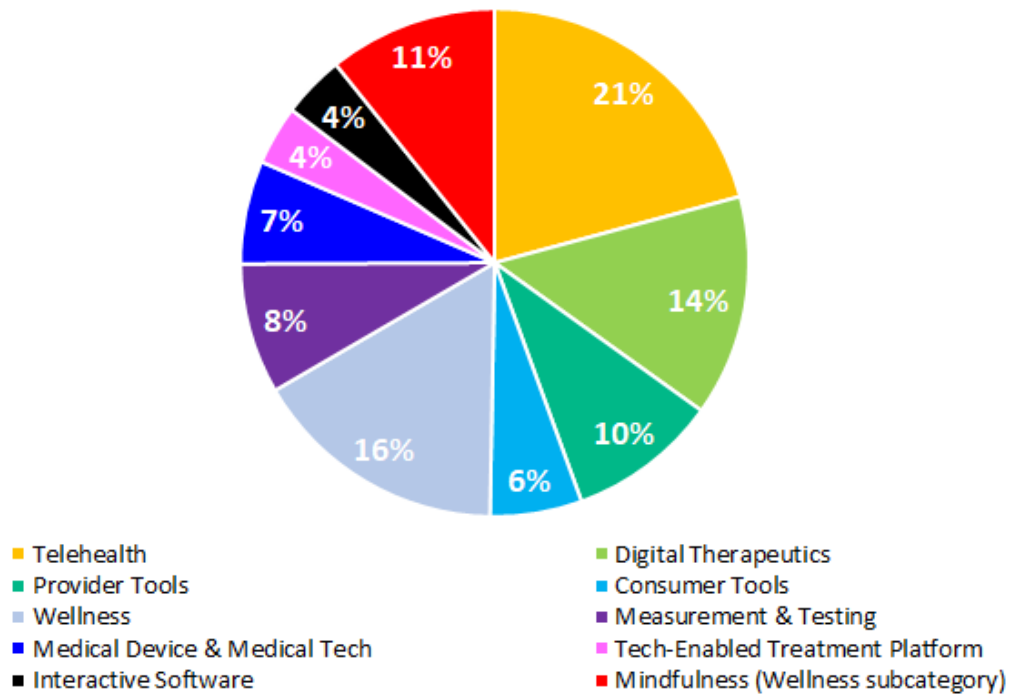
Patient Tools include tools created for patient or consumer use. WeRecover, a startup that helps people find the right drug and alcohol treatment center, is in this category. We also include mental health education startups and startups that offer peer-to-peer communities in this category. The Telehealth bucket includes startups primarily focused on telehealth with a focus on mental health such as Talkspace and AbleTo.



In 2020, it's no surprise that the Telehealth [21%] and Wellness [27%] category received the largest proportion of funding, accounting for collectively 48% of funding. Mental healthcare providers were early adopters of telehealth in the pandemic, mainly because mental healthcare providers are not necessarily dependent on a physical location to deliver care. Furthermore, regulatory tailwinds combined with a spike in mental illness catalyzed mass adoption of telehealth by mental/behavioral healthcare providers. For Wellness, as general anxiety and stress levels increase in the general population, people turn to consumer tech to relax.



2020 Funding by Category



Source: GIMBHI Database, Crunchbase, Pitchbook

Research backs this up, showing that consumer engagement with health & wellness products over the past year has increased dramatically, as well. Since these products are not regulated, wellness products are likely to attract both healthcare and non-healthcare investors, which explains the large volume of deals in this category. Effectively, investing in unregulated health and wellness companies is more akin to investing in consumer technology, than investing in a healthcare startup – so naturally there is a larger pool of investors who are interested.







TRENDS

Thoughts, trends, takeaways from 2020, and ideas for the future

This isn't a comprehensive list of trends and takeaways and isn't ordered by importance. We will be publishing more of our thoughts and reflections soon – subscribe [here](#) if you're interested.

1. Continued Funding in 2021

According to GIMBHI, investors allocated more capital to MBH startups in 2020 than ever before, up 96% from 2019. As noted before, average round size hasn't increased materially from last year. Many investments are still being made at the seed and pre-seed stage, signifying that the space has yet to mature. With that said, just in Q4 2020 there were some notable large rounds in more established startups.

Company	Date (2020)	Amount	Funding Type	Selected Investors (Last Round)	Total Funding	Category	Description
 springhealth	11/18	\$76M	Series B	Tiger Global, Northzone Ventures, Rough Draft Ventures, Rethink Capital	\$106M	Patient Tools	Developer of a digital mental health benefits platform
 PEAR	12/18	\$80M	Series D	SoftBank, 5AM Ventures, Jazz VP, Arboretum Ventures, Temasek, Shanda Group	\$251M	Digital Therapeutics	Developer of prescription digital therapeutics
 Modern Health	12/15	\$51M	Series C	Battery Ventures, Felicis Ventures, Founders Fund, Kleiner Perkins, Afore Capital	\$96M	Wellness	Developer of a mental wellness platform that companies use to manage employee health benefits
 Calm	12/8	\$75M	Series C	Lightspeed VP, Insight Partners, NVP, Sound Ventures, TPG Growth	\$191M	Wellness	Developer of a meditation, sleep, and relaxation application

It's clear that some of the largest VC firms in the world are recognizing the opportunity in mental health tech. But it's not just VCs and other traditional investment firms that will be looking to invest. Health insurance companies are experiencing earnings growth due to patients deferring nonessential care, despite the costs of the pandemic. Payers have a lot to gain by investing in health innovation and they will certainly be in the financial position to do so in 2021.

While telehealth and wellness attract most of the funding, the investment community is beginning to recognize opportunity in other categories like [digital therapeutics](#) and [provider tools](#).



Digital therapeutics took 14% of total funding in 2020, making it the third largest category. Recognition of attractive opportunities in other areas beyond consumer wellness apps and telehealth will bring more funding.

Valuations are another tailwind for the MBH startup ecosystem. Just this year, Calm, Lyra, and TalkSpace all achieved \$1 billion valuations. Calm's post-money valuation after this round was \$2 billion. In early January, Talkspace formally announced that it would go public via SPAC in a \$1.4 billion deal. And most recently, Lyra raised a \$187 million Series E at a \$2.3 billion post-money valuation at the end of January. ¹⁰According to Pitchbook, Lyra did over \$100 million in revenues in 2020, implying that its valued at roughly 22x revenue.

As we look to 2021, the recent slew of digital health IPOs and the achievement of these \$1B+ valuations in specifically the MBH ecosystem will instill confidence in investors that the exits do exist. Furthermore, the long-term driver, the fundamental supply shortage of mental healthcare providers, will continue to incentivize innovation.

1) Mainstream VC investor and payer appetite for MBB health startups, 2) Recent \$1B+ valuations and exits, and 3) The breadth of innovation (across many categories) trying to solve for lack of quality care and lack of access due to the persistent supply shortage of mental and behavioral healthcare provider capacity are all positive signs pointing to sustained VC investment into the space in 2021.

In the absence of other macroeconomic shocks, we expect funding volume to be 60 – 80% of 2020's record-high volume, or \$1.5 to \$2 billion in 2021.

¹⁰ <https://my.pitchbook.com/profile/114977-53/company/profile#financials>

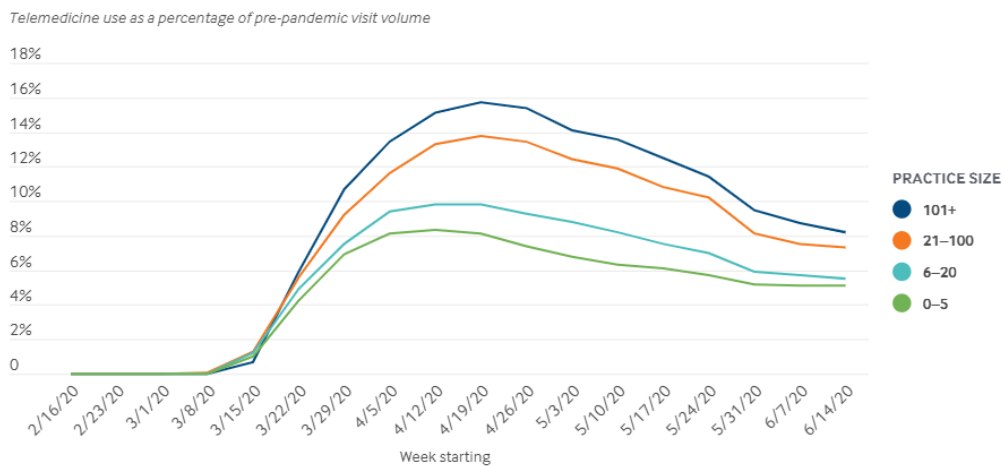


2. Mental Telehealth Growth > Telehealth Growth

Telehealth platforms across experienced stellar growth in 2020 and are here to stay. Mental and behavioral telehealth startups raised \$536 million in funding in 2020, 21% of total funding.

While digital access can provide immense benefit to patients and improve the patient experience, it would inaccurate to say that adoption is continuing to increase. Telehealth utilization is much higher than before the pandemic, according to Rock Health and the Commonwealth Fund, however telehealth utilization peaked in mid-April due to pandemic-related measures. Since then, utilization has dropped and has leveled off.

Weekly Telemedicine Visits as Fraction of Weekly Visits at Baseline, by Practice Size



11

Data from public telehealth companies like Teladoc and Amwell supported the idea that patients were using telehealth less. Q3 2020 revenue from Teladoc from actual telehealth appointments dropped 13% from Q2. According to Amwell in their Q3 2020 earnings call, visits were down 30% in Q3 2020 compared to Q2 2020.¹² It's clear that the surge of patient adoption spurred by the pandemic is not sustainable.

But it's a slightly different story for mental telehealth.

¹¹ <https://www.commonwealthfund.org/publications/issue-briefs/2020/aug/telemedicine-post-pandemic-regulation>

¹² <https://www.fool.com/earnings/call-transcripts/2020/11/13/american-well-corporation-amwl-q3-2020-earnings-ca/>



According to Keith Anderson, CFO of Amwell, “it’s just a state of the mental health of the general population, we saw and are seeing it continue spikes in both the specialty care, mainly the behavioral, as well as the telepsychiatry visits coming back.”¹³

Amwell Medical Group’s (AMG) visits were down 24% from Q2, but AMG experienced “a 23% increase quarter over quarter in AMG specialty visits as we are seeing the impact of COVID on the population’s mental health.” Similarly, Jason Gorevic, the CEO of Teladoc, reported that “utilization of mental health services has continued to grow in each successive month of the year, which is very encouraging given the high repeat usage profile of the service.”¹⁴

While Amwell and Teladoc are just two companies, two founders of a private mental telehealth told GIMBHI that their revenue has stayed the same or increased quarter-over-quarter from Q2.

The demand for mental telehealth is still strong and isn’t going anywhere in 2021. We expect Telehealth to garner over 20% of total funding.

¹³ <https://www.fool.com/earnings/call-transcripts/2020/11/13/american-well-corporation-amwl-q3-2020-earnings-ca/>

¹⁴ <https://www.fool.com/earnings/call-transcripts/2020/10/29/teladoc-health-tdoc-q3-2020-earnings-call-transcri/>



3. Real-Time Measurement in Telehealth

While telehealth was initially just a way to see a doctor on the phone or on your computer, it's no news that it is evolving into something else entirely. Telehealth can improve the patient experience and benefit patients in so many ways other than simply access. In a presentation from January 2021, Teladoc described itself as the “leader in comprehensive virtual care” consistent with their recent acquisition of Livongo, touting their ability to offer services that cover all of a person’s healthcare needs.

We see mental telehealth startups evolving into virtual care platforms to offer a wider range of services and solutions for care at home which might include prescription medication services, self-guided activities, or expanding care for lower/higher acuity patients. Lyra Health, for example, offers all of these services.

However, in 2021, we see mental telehealth platforms expanding beyond this. We see the possibility of telehealth platforms providing higher quality care through real-time measurement tools.

A STAT News article published in January written by David Mou and Tom Insel summarizes this idea well:¹⁵

“Telehealth 2.0 for mental health could, and should, bake in real-time measurement, using facial recognition software to quantify blink rate and tics, assessing affect from facial expressions, and including linguistic analysis to capture sentiment and coherence. Initially, these novel measures need to be validated with well-accepted clinical instruments such as the PHQ-9 questionnaire for depression. Ultimately, these measurements can also be used to improve the quality of clinicians by providing tailored feedback about their performance across different diagnoses.”

In 2013, in a movement to depart partially from full reliance from traditional psychometric measures which are limited, Tom Insel, the former director of the NIMH, launched the Research Domain Criteria project (RDOC). The goal of the project was to transform diagnosis by incorporating genetics, imaging, cognitive science, and other levels of information to lay the foundation for a new classification system. The push was part of an effort to ground our understanding of mental illness in measurable data.

¹⁵ <https://www.statnews.com/2021/01/19/startups-innovations-truly-improve-mental-health/>



For example, Ellipsis Health developed a speech-based vital sign for depression and anxiety, which offers a way scalable and accurate way to measure anxiety and depression, in a way that integrates into care providers' workflows. There are other startups like Sonde Health, Vocalis Health, WinterLight Labs, and Clarigent working on similar things.

In the second-half of 2021, we see the prospect of real-time measurement tools being integrated into telehealth, which will enhance the quality of care mental telehealth platforms can offer to patients.

In 2020, \$214 million, or 8%, of funding went to startups in the Measurement & Testing category. We see the share of funding for Measurement & Testing startups increasing in 2021.



SHOUT OUTS

To Adam Pieczonka the co-founder of [1907 Research](#), which offers grants to scientists studying mental illness. 1907 Research is a public charity that funds mental health research. They have a team of scientists, technologists and investors who take an investment management approach to grant funding. Donations support young scientists (MDs and PhDs) in their search for mental illness causes and cures at leading hospitals and universities.

To Josh Hardman for his insightful work on the psychedelic industry. [Psilocybin Alpha](#) is the definitive resource for analysis of the emergent psychedelic medicine sector.

STAY TUNED

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- *Investor perspectives on the MBH ecosystem*
- *A report on Pediatric & Adolescent Mental Health Technology*
- *A report on Addiction-Focused Startups*



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