

**MARKET UPDATE:
SEPTEMBER 2020**

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Shiv Bhavnani, CAIA

shiv@gimbhi.com

+1.908.268.4728

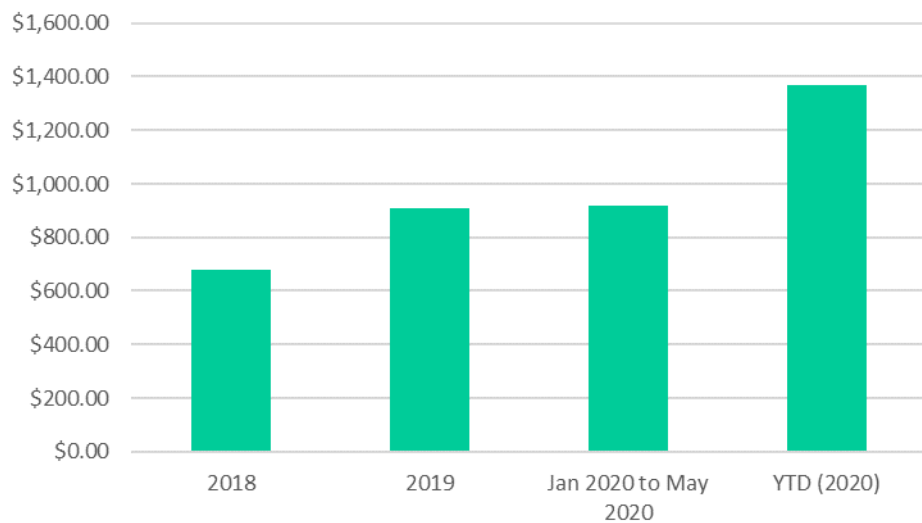
Co-Authors:

Ashwanth Kumar

Jo Angustia

MOVE FAST & BREAK THINGS?

It's no secret that demand for mental and behavioral healthcare skyrocketed in 2020. MDLIVE, one of the largest telehealth companies in the U.S., reported year-over-year growth of more than 500% for behavioral health. Naturally, investor interest in the mental, behavioral, and brain health technology space exploded as well. More than 100 startups in the space attracted \$1.37 billion of funding in 2020 so far. If you'd like to access more detailed data, please email me at shiv@gimbhi.com to discuss. As GIMBHI's June 2020 report mentioned, funding for mental, behavioral, and brain health startups will likely surpass \$1.5 billion by the end of the year.



Source: GIMBHI, CB Insights

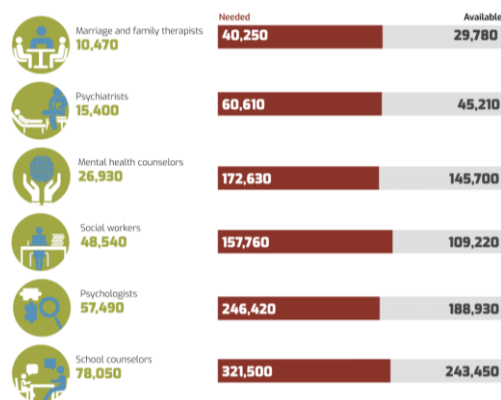


Over the last four months alone, investors poured roughly ~\$450 million of funding into mental, behavioral, and brain health startups. Digital health exits have heated up as well in 2020, with 9 digital health startups filing for an IPO over the last 14 months. Hims, a telemedicine startup that sell personal care products targeted at millennials, just announced that it was going public via SPAC.

However, is this all moving too fast?

Dr. Ravi Shah published an excellent piece in JAMA titled “The Rise of Venture Capital Investing in Mental Health.” Shah points out correctly that “Silicon Valley’s motto for success, “move fast and break things,” has led companies such as Uber and Theranos to break laws and cut corners. This ethos is not compatible with the Hippocratic doctrine of primum non nocere [...] Quality assurance is needed not just for products (eg, digital therapeutic tools) but also for services rendered by companies that connect clinicians with patients.”

However, VC-led innovation in healthcare has its benefits, as Shah points out. The fact is there is a massive imbalance in the supply and demand of mental healthcare in the U.S. and the rest of the world. SAMHSA predicts by 2025 the U.S. will have shortage of over 230,000 therapists, psychiatrists, counselors, psychologists, and social workers.



These shortages can be attributed to both dwindling supply and growing demand. In general, professionals are aging out of these fields quicker than they are being replaced by younger professionals. However, population growth and expanding insurance coverage suggest greater numbers of people will seek mental health treatment in the future.



People need mental healthcare and there aren't enough mental health professionals. Innovation and technology can certainly help correct this imbalance. The main source of capital for innovation is venture capital. However, it can't be stressed enough that the stakes in the healthcare industry are very different from the pure technology industry. As a society, we can't afford to move fast and break things, when people's physical and mental health hang in the balance. Innovation in healthcare needs to approach growth more carefully.

In Dr. Shah's words, "As the demand for digital solutions to mental health concerns continues to rise, we will have to wrestle with this question: can VC-backed mental health start-ups move fast without breaking anything?" Read the piece [here](#) ■

Shiv Bhavnani, CAIA

Founder of GIMBHI

shiv@gimbhi.com



MENTAL, BEHAVIORAL, & BRAIN HEALTH STARTUP NEWS

LIFESPEAK

On September 15, **LifeSpeak**, Inc. announced a \$42M growth equity investment from RoyNat Capital, Kensington Capital Partners, and Round13 Growth Fund. LifeSpeak is a platform that helps organizations provide mental health/well-being resources to employees. Since 2004, LifeSpeak has implemented itself as a digital health provider for numerous North American companies across dozens of industries ranging from financial services to public entities. This recent investment will be used to accelerate LifeSpeak's global growth.

LifeSpeak is based in Toronto, Canada, and run by CEO Michael Held. Total funding is CA\$42M and notable investors are the aforementioned RoyNat Capital, Kensington Capital Partners, and Round13 Capital.¹

OWL INSIGHTS

On September 8, Portland-based **Owl Insights** announced that it raised financing led by Ascension Ventures and Blue Venture Fund. According to Pitchbook, it was a \$15.48 million round. Other investors in this round include First Trust Capital, Portland Seed Fund, and the Entrepreneurs' Funds.

A managing director at Ascension Ventures mentioned that they validated the need for Owl's products by surveying Ascension's hospital partners. Ascension has more than \$800 million in assets under management.

Owl Insights offers a way to integrate measurement-based care and analytics into existing behavioral health provider workflows. The company has raised almost \$23 million in funds so far.²

¹ <https://www.prnewswire.com/news-releases/lifespeak-announces-42-million-equity-investment-to-accelerate-growth-of-digital-mental-health-and-wellness-platform-301131132.html>

² https://www.prweb.com/releases/owl_insights_secures_strategic_investment_co_led_by_ascension_ventures_blue_venture_fund/prweb17376102.htm



ONCOMFORT

On September 9, Belgium-based **Oncomfort** announced that it raised \$11.8 million in Series A funding. The company will use the funding to develop a new method of relieving pain and anxiety with VR.

Swiss Debiopharm and the French Credit Mutuel Innovation led the round. WING also participated in the round.

Belgium-based Oncomfort has raised \$13.7 million to date.

SONDE HEALTH

On August 25, **Sonde Health**, a vocal biomarker startup, acquired NeuroLex Laboratories. The acquisition brings together two vocal biomarker companies.

According to the company, “Sonde’s proprietary technology works by sensing and analyzing subtle changes in the voice due to changes in a person’s physiology. The company’s respiratory and depression health checks are available today.”³

GGV Capital, Mass Challenge, TMC Innovation, and Voiceamp were investors in NeuroLex, prior to the acquisition.

According to multiple sources, Boston-based Sonde Health raised \$16 million in equity in 2019 from Evidity Health Capital, MP Healthcare, M Ventures, Neoteny, and PureTech Health. According to Pitchbook, the post-money valuation was \$28.4 million in 2019.

UHC ACCELERATOR

On August 31, **UnitedHealthcare’s Accelerator** (powered by Techstars) announced its 2020 Class. Out of 10 companies, 5 of these startups have services or products that address mental health.

Kiddo: connected care system for better pediatric health delivery

The monitoring system measures children’s sleep quality and stress levels.

Total raised to date: \$2M

³https://www.prweb.com/releases/mentalhappy_launches_equity_crowdfunding_campaign_to_empower_women_and_minorities_to_invest/prweb17366359.htm



Other VC Investors: Wavemaker

Kintsugi: Detecting clinical depression and anxiety using machine learning and voice biomarkers

Vincere Health: Using sensor data, incentives, and counseling to change health behaviors
Vincere provides a platform to help people quit smoking.

Other VC Investors: Purpose Built Ventures

OptionsMD: Using data to connect people to treatments that better fit their lifestyle
OptionsMD helps people find the right antidepressants among other psychiatric drugs.

Spora Health: Culture-centered care for people of color

The platform provides clinically validated mental health assessment tools and mindfulness programs. ⁴

SANA HEALTH

Sana Health, a startup led by Richard Hanbury that develops audio-visual masks to treat chronic pain and mental health issues, raised \$5.8 million in new seed funding, from Grey House Partners, Startup Health, and Founders Fund, and other investors in August, according to the company. The company's goal for the round is \$9 million, and the round is still open to investors.

Recently, Sana Health's product was approved the FDA for sale as a "general wellness" device. Sana is conducting 100+ person studies at Duke University for Fibromyalgia and the Mt. Sinai Health System in New York for Neuropathic pain. According to Sana, a pilot study of 20 patients in Colorado showed that Sana's device was 5 times more effective than Lyrica (used to treat fibromyalgia) with no side effects. The company has raised \$13.63 million so far and is based in Lafayette, CO.

⁴ https://www.techstars.com/newsroom/announcing-the-2020-class-of-the-unitedhealthcare-accelerator-powered-by-techstars?utm_source=hootsuite&utm_medium=&utm_term=&utm_content=&utm_campaign=



APTIHEALTH

On September 1, **aptihealth** announced Dale Dutile as CFO. Dutile is a healthcare investor, most recently serving as a managing director at Boston Company Asset Management. He was a portfolio manager on the US opportunistic value team, overseeing investments in the healthcare sector. Before that, Dutile led healthcare equity research efforts at MFS Investment Management. Dutile holds a bachelor's degree in finance from Boston College and an MBA from MIT Sloan.

Aptihealth's platform provides a behavioral health assessment, followed by a consultation with a health provider, allowing primary care doctors and mental health providers to connect to accelerate treatment. The company has raised \$2.6 million to date from the private equity firm, Hudson River Capital Holdings. ⁵

EQUOO

One of PsycApps products, eQuoo, was selected as Unilever's Mental Health app for its marketing campaign for CLEAR haircare products. According to TechCrunch, PsycApps "is a digital mental health startup that is using gamification, cognitive behavioral therapy (CBT), positive psychology and AI to treat mental illness, using evidence-based features. It has achieved a top rating at ORCHA, the leading health app assessment platform, and is also available through the GP EMIS data bank, meaning that NHS doctors can now refer their patients to eQuoo to improve their mental health and well-being."

NEUROFLOW

On September 29, Neuroflow announced that it secured a \$1.5 million contract with the U.S. Air Force to expand its platform. According to the press release, "NeuroFlow began working with AFWERX, a United States Air Force program with the goal of fostering a culture of innovation within the service, in late 2019 after being awarded an initial trial contract."

Philadelphia-based NeuroFlow has raised \$11 million so far. Investors in its most recent round included AVG, Dreamit, and Builders VC.

⁵ <https://www.prnewswire.com/news-releases/aptihealth-announces-the-appointment-of-dale-dutile-as-chief-financial-officer-301122161.html>



NALURI

On September 1, Malaysia-based mental health startup **Naluri** announced a partnership with Malaysia Aviation Group. Naluri will provide MAG's employees with psychological health support during the pandemic.

The company connects employees or insurance policy holders with psychologists. The company raised \$2.8 million to date from investors including 3T Venture Capital, RHL Ventures, TH Capital, Global Founders Capital, and 500 Startups.

HEADSPACE & CALM

In an excellent piece by Herbert Lui on Medium, he discusses the competition between two popular meditation apps – **Headspace and Calm**.⁶

Both companies have established partnerships with companies, but Headspace is pursuing insurance coverage for new product: Headspace Health. Headspace Health aims to develop new treatments for the management of chronic conditions. Happify is another company that started off as a wellness app, but is now building digital therapeutics.

PEAR THERAPEUTICS

On September 21, **Pear Therapeutics** announced that reSET and reSET-O had been added to PreferredOne's medical benefits as covered products for its members. reSET, the first prescription digital therapeutic to receive authorization from the FDA, treats substance use disorder, while reSET-O treats opioid use disorder.⁷

COGNOA

On September 23, **Cognoa**, a startup developing therapeutic solutions for children with autism, announced that it beat all FDA targets in its pivotal study. The pivotal study involved 425 participants – aged between 18 to 72 months, and it ran from July 2019 to May 2020.

⁶ <https://marker.medium.com/how-headspace-is-winning-the-cutthroat-meditation-app-war-c6680dbf0ce8>

⁷ <https://peartherapeutics.com/pear-therapeutics-and-preferredone-announce-broad-based-patient-access-and-reimbursement-for-reset-reset-o-for-people-with-substance-use-disorder-and-opioid-use-disorder/>



Cognoa will submit its autism spectrum disorder diagnostic to the FDA for clearance. Cognoa will be submitting a de novo request for the diagnostic. Cognoa was granted Breakthrough Device Designation by the FDA in 2018.

Cognoa also appointed David Happel as CEO, replacing Brent Vaughan. Happel joins from Chrono Therapeutics, where he was President and CEO. The company also appointed Colleen Kraft as the company's senior medical director of clinical adoption. Kraft will help the broad adoption of Cognoa's digital therapeutics by pediatricians.

Palo Alto-based Cognoa has raised roughly \$63 million of capital to date. Investors include Morningside Group and Social Innovation Ventures.⁸

HIMS

On October 1, it was announced that **Hims**, a DTC company selling health products and services, going public through a SPAC.

The company will be valued at \$1.6 billion, and will raise \$280 million through a merger with a SPAC managed by Oaktree Capital.

Relevantly, Hims launched a mental health platform in response to the pandemic. mental health care among the children of workers on the frontlines of the pandemic.”

2MORROW

On September 23, **2Morrow**, a startup that develop digital health treatments for nicotine addiction, weight, behavioral health concerns, and chronic pain, demonstrated the efficacy of its nicotine addiction digital health solution.

“2 morrow’s digital health approach to behavior modification continues to be shown effective for helping smokers quit in a large randomized clinical trial (RCT) conducted by Fred Hutchinson Cancer Research Center and published in JAMA Internal Medicine. The trial followed 2,415 participants for 12 months to determine the efficacy of an Acceptance and Commitment Therapy (ACT) based app for smoking cessation vs an app based on US clinical practice guidelines

⁸ <https://cognoa.com/cognoa-seeks-fda-clearance-for-breakthrough-digital-autism-diagnostic-device-after-successful-pivotal-study/>



(USCPG). ACT app users not only were more engaged and satisfied, but at 12 months, were 50% more likely to quit than those using the smartphone application based on the USCPG.”

CUREAPP

On August 21, **CureApp**, Inc. received regulatory authorization for the production and distribution of the first Asian therapeutics app. The app, called “CureApp SC Nicotine Addiction Treatment App and CO Checker”, is a prescription medical device that aids patients that seek treatment for quitting smoking. The product enables patients to better understand how they can tackle nicotine addiction, and additional features provide doctors with insight into the patient’s progress toward their goals. The app works in hand with a portable Carbon Monoxide (CO) checker so that both the patient and doctor can monitor how much CO is in the patient’s breaths.

CureApp is headquartered in Tokyo, Japan. Their CEO is Kohta Satake and the company has managed to raise ¥4.2B, or roughly \$40M USD in total funding. Some investors include Dai-ichi Life, Koshidaka Holdings, and Beyond Next Ventures.⁹

KOOTH

On September 2, **Kooth** (LSE: KOO) was admitted to be traded on the AIM (Alternative Investment Market) of the London Stock Exchange. Kooth aims to create seamless access to online mental health services for a variety of groups, ranging from young people to employers. The product’s usage of data and outcomes helps personalize each user’s experience in terms of needs and treatments for various mental health challenges.

Kooth is headquartered in London, United Kingdom, and is led by CEO Tim Barker. Kooth was valued at £66M at IPO, and traded at £2.29 per share when the IPO released on September 3, 2020.¹⁰

⁹<https://www.businesswire.com/news/home/20200826005812/en/Asia%E2%80%99s-Prescription-%E2%80%9CDigital-Therapeutic%E2%80%9D-Approved-Japan-Nicotine>

¹⁰ <https://www.londonstockexchange.com/news-article/KOO/admission-to-aim-and-first-day-of-dealings/14672174>



LIMBIX AND BEHAVR

On September 2, adolescent digital therapeutics developer **Limbix and VR** digital therapeutics firm BehaVR, LLC announced a collaboration to advance behavioral health using virtual reality. This collaboration aims to extend the impact of virtual reality in patient treatments mainly through the BehaVR platform. This modified product will then be distributed through Limbix's existing global distribution network.

Limbix is based in San Francisco, California and is led by CEO Ben Lewis. Limbix has raised \$16M in total funding, and some notable investors include NextGen Venture Partners, Sequoia Capital, GSR Ventures, and Storm Ventures.

BehaVR is headquartered in the United States and is run by founder Aaron Gani and Senator Bill Frist, MD. They have raised \$1M in total funding and some notable investors include Arkitekt Ventures, City Light Capital, and Kentucky Science and Technology Corporation. at £66M at IPO, and traded at £2.29 per share when the IPO released on September 3, 2020.¹¹

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¹¹ <https://www.businesswire.com/news/home/20200902005909/en/BehaVR-and-Limbix-Partner-to-Advance-Behavioral-Health-in-Virtual-Reality>



NEUROSIGMA

On September 21, **NeuroSigma**, Inc. received bridge equity financing from Checkmate Capital Group. NeuroSigma is a medical device company that uses its Trigeminal Nerve Stimulation (TNS) technology to treat various challenges such as epilepsy, depression, ADHD, and PTSD. This investment intends to help NeuroSigma promote itself from a clinical-stage entity to a commercial-level company. NeuroSigma has received funding from the US NIH and accredited investors, followed by Checkmate Capital's investment. Additionally, Checkmate Capital will assist NeuroSigma with commercial initiatives, international licensing, partnerships, and other commercial-stage transitional assistance.

NeuroSigma is based in Los Angeles, California, and is run by CEO Leon Ekchian. NeuroSigma's total funding is \$13.4M.¹²

MENTALHAPPY

On September 2, **MentalHappy** announced the launch of its equity crowdfunding campaign. MentalHappy is a social network that uses positive interactions and support systems to help people improve emotional wellbeing. The platform enables people to have access to a secure space to talk about individual daily challenges and hardships, and the space enables fellow users to positively reinforce support for those who disclose their challenges. By enabling crowdfunding, MentalHappy hopes to increase access for investment in the company, especially for certain demographics such as women and minorities that have historically lacked access to investment opportunities.

MentalHappy is run by CEO Tamar Blue and is headquartered in the San Francisco Bay Area. It has received \$131.6K in total funding and some notable investors (besides the crowdfunding) include Y Combinator and MergeLane.¹³

BIOFOURMIS

On September 3, **Biofourmis** secured Series C funding to the tune of \$100M. Biofourmis, a biotechnology company that emphasizes personalized care using digital therapeutics, harnesses data mainly from patient physiology in order to help healthcare providers and pharmaceutical

¹² <https://www.globenewswire.com/news-release/2020/09/21/2096645/0/en/NeuroSigma-Receives-Bridge-Financing-from-Checkmate-Capital.html>

¹³ https://www.prweb.com/releases/mentalhappy_launches_equity_crowdfunding_campaign_to_empower_women_and_minorities_to_invest/prweb17366359.htm



companies treat patients more effectively. The various levels of the product enable providers to efficiently manage, intervene, and treat chronic patients. Some of their collaborators include Novartis, Chugai, Mayo Clinic, and Brigham and Women's Hospital.

Biofourmis is headquartered in Boston, and is led by CEO Kuldeep Singh Rajput. They have raised \$143.6M in total funding, and some notable investors include the SoftBank Vision Fund, Aviva Ventures, Openspace Ventures, and Sequoia Capital.¹⁴ We didn't include this funding in our 2020 funding volume because Biofourmis is not focused on mental, behavioral, or brain health.

DARTMOUTH STUDY

On September 25, a study lead by Mikio Obuchi, a PhD student at **Dartmouth**, showed that smartphones can predict mood and emotions. "In the research, data from phone usage was analyzed alongside fMRI scans to confirm that passively collected information can mirror activity in the brain linked to emotion. Predictions based solely on the phone data matched the brain scans with 80 percent accuracy."¹⁵

¹⁴ <https://www.forbes.com/sites/katiejennings/2020/09/02/softbank-leads-100-million-investment-in-ai-and-digital-therapeutics-startup-biofourmis/#5e5ca25c5f32>

¹⁵ <https://news.dartmouth.edu/news/2020/09/research-uses-smartphones-predict-brain-function-mood>



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gimbhi.com



shiv@gimbhi.com



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