



LUMINII CONSULTING

Spotlight on Digital Mental Health



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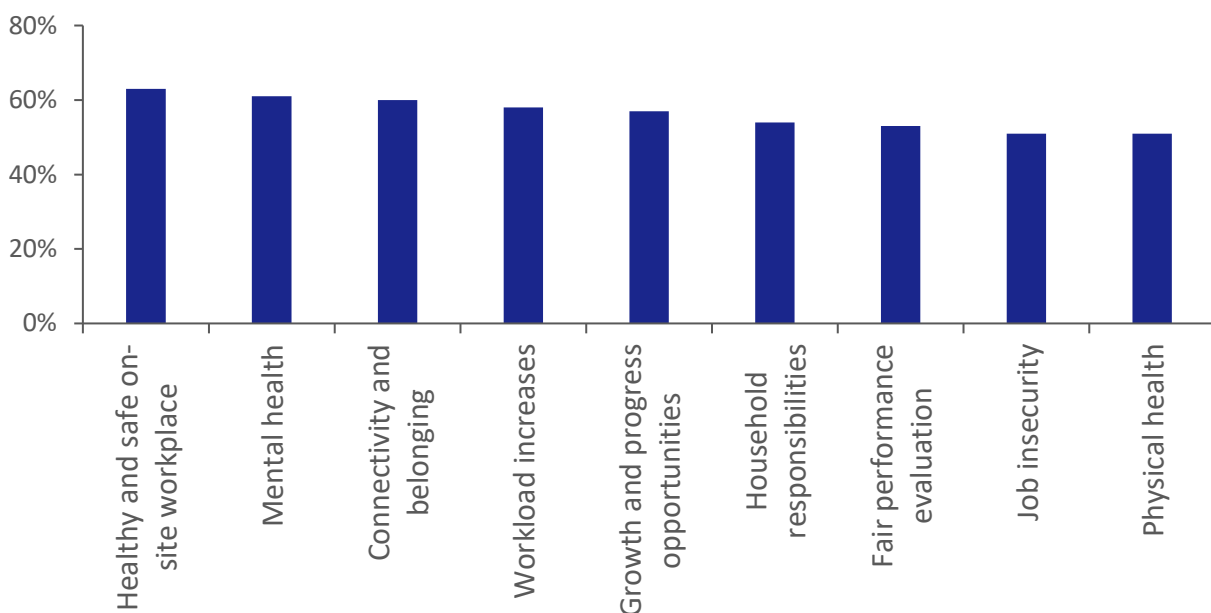


Attitudes towards mental health and resources to tackle issues have been slowly changing in Western societies over the past few decades. Nevertheless, it is the advent of social media that has accelerated the process of destigmatising mental health issues and, it is undeniable, that the topic sprung to attention even more during the novel coronavirus pandemic that spread across the globe in 2020. The media attention was also reflected in interest from investors who have increasingly poured more money into mental health and wellness start-ups and have thus turned some of the more established companies into unicorns (with valuations over \$1bn). Hence, Luminii Consulting’s decision to explore the investment opportunities for digital health to provide scalable business models and, in the process, provide not just a lifeline to those in need of immediate crisis support, but also facilitate an active participation of individuals in their own health journeys.

Mental Health in The Time of Covid-19

The initial fear of an unknown virus spreading across the world, combined with the social isolation imposed by lockdowns, or the loss of income and bereavement suffered by many have triggered or exacerbated mental health conditions. In a global survey conducted across 11 developed and developing countries, mental health was among the main challenges reported by employees alongside a safe on-site workplace and a sense of connectivity and belonging (with over 60% of respondents reporting it as a significant or somewhat significant challenge).

FIGURE 1: Employee Challenges during Covid-19 (% responding “significant” or “somewhat”)



Source: McKinsey Covid-19 Employee Experience Survey, 2020

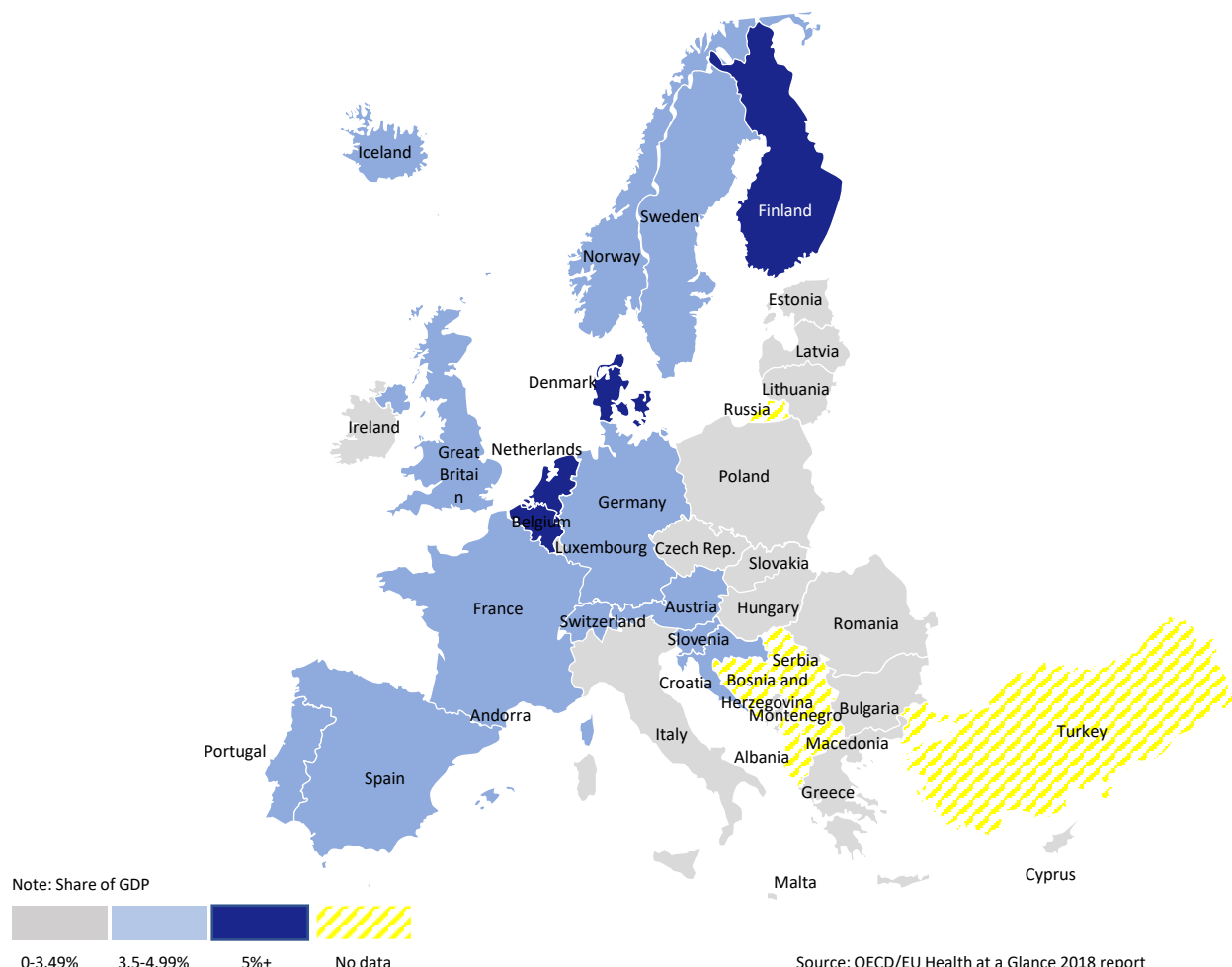
The Cost of Mental Health for the Economy and Employers

“We have definitely found over the last five years that more employers are prioritising mental health as something that they want to address and to offer effective services to their employees. That tailwind existed before COVID, but what happened this year was a significant acceleration in that momentum and recognising the realities of the mental health care needs of employees.” – Founder of Lyra Health quoted in Fierce Healthcare

Even before Covid-19, mental health was a concern for employees as increased use of technology accompanied an “always on” culture, making it harder to disconnect from work and increasing the challenge of achieving a good work-life balance and maintaining good mental health. In response to this, forward-thinking employers had already started to invest in staff wellbeing and were reaping the benefits of increased productivity and staff loyalty. For example, a Deloitte study in the UK calculated that in 2017 poor mental health costs UK employers at least £32bn a year. In a 2019 re-evaluation, the same study found there have been positive changes in workplaces, including greater openness in discussing mental health at work among larger employers in particular and more provision of support overall. Nevertheless, the study argued for further widespread support from employers and Government, such as changing the definition of the Equalities Act so more people with mental health problems can benefit from its rights and protections or increasing Statutory Sick Pay.

Across Europe, the direct and indirect costs of mental health are estimated at €600 billion or over 4% of GDP across 28 European countries (EU pre-Brexit). This total breaks down approximately into the equivalent of 1.3% of GDP (or €190 billion) in direct spending on health systems, 1.2% of GDP (or €170 billion) on social security programmes, and a further 1.6% of GDP (or €240 billion) in indirect costs related to labour market impacts (lower employment and lower productivity). The variations among countries (2-3% in Eastern Europe vs 4.8-5.3% in Northern Europe) are most likely due to under-reporting in countries where strong social stigma is associated with mental health as well as in the differences in generosity in the health and social security systems. While some of the data is derived from surveys and self-reported mental wellbeing, with a tendency to potentially overestimate incidence/prevalence of mental health issues (e.g. low mood being described and self-diagnosed as depression), it is clear that mental health is an important cost to economies and a critical factor in individual happiness.

FIGURE 2: The Cost of Mental Health Problems as a % of GDP across European Countries



The Mental Health Landscape

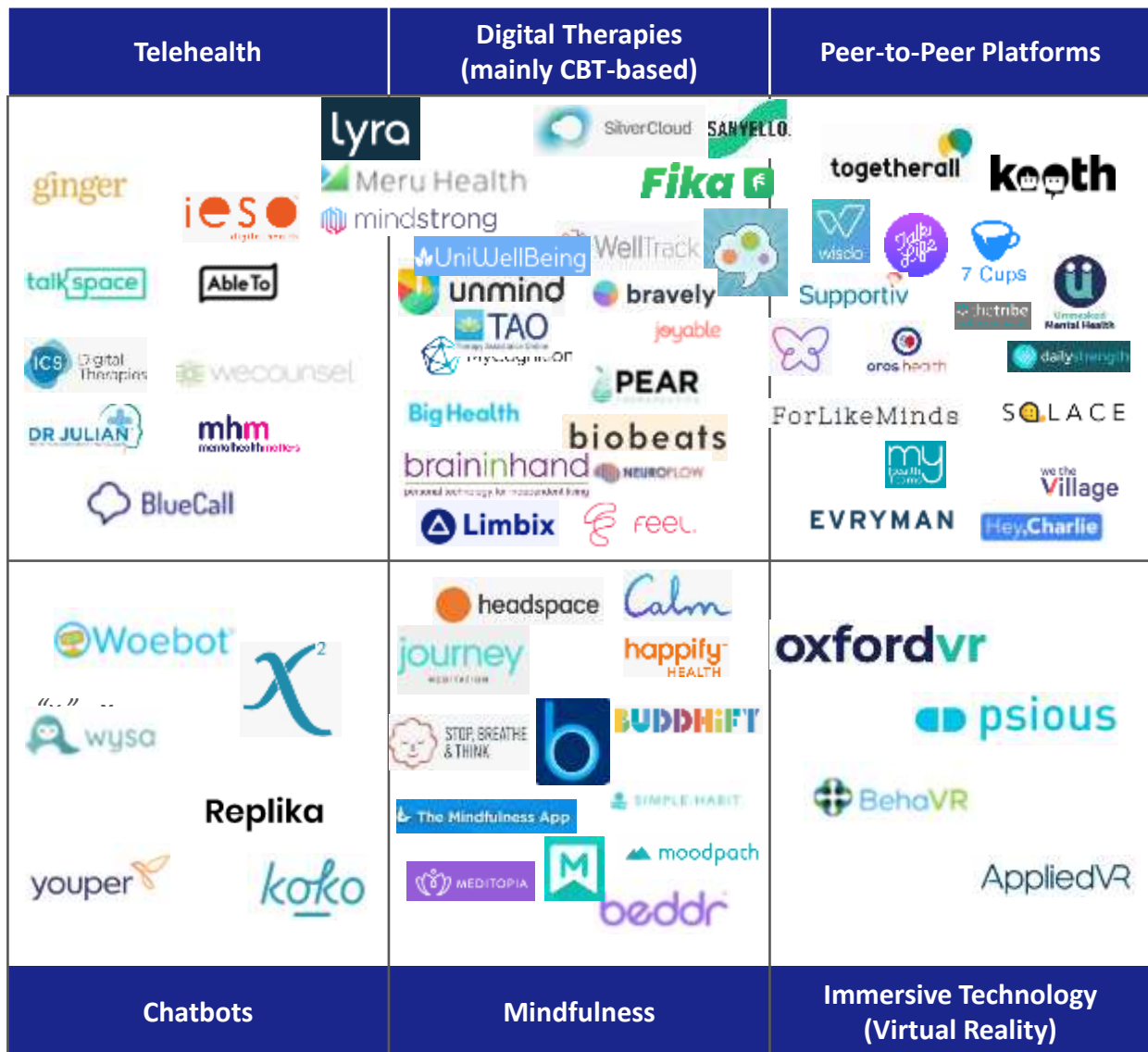
In response to individuals’ needs for mental health support and employers’ willingness to prioritise workplace mental health, tech entrepreneurs and medical professionals have recognised the potential of technology to tackle the issue. Hence, the market for digital mental health has seen an explosion of start-ups over the past decade. What if Ventures has identified over 1,000 mental health start-ups and its research shows an exponential increase, with 13 mental health start-ups being founded every year pre-2010 vs 106 in 2015 and 81 in 2018.

As it is a relatively nascent market, with no established categorisation, framing the mental health space depends on whether the exercise is focused on the care continuum (from prevention, treatment and recovery to management), ecosystem players (patient, provider, payer), type of therapy (e.g. cognitive behavioural therapy or exposure therapy) or technology (face-to-face, telephony, video link, app, chat, virtual reality). As this article is focused on digital mental health from an investment perspective, Luminii Consulting segmented the market in terms of digital therapeutic interfaces without placing these on a care continuum or considering the extent to which these are accessed on a self-referral, medical referral or employee benefit basis.



The map below is indicative of a very fragmented and competitive digital mental health market where a variety of techniques and digital interfaces are used to prevent, diagnose and manage mental health (ranging from preventative wellbeing and mild affective/emotional issues). The vast majority of offerings involve a digital platform (website or most often an app) that the user engages with remotely and can access voluntarily in order to improve wellbeing, increase mental resilience or deal with mild to moderate mental health issues. Some deal with more serious clinical conditions and are available on prescription or may involve wearables to track biomarkers and alert professionals between face-to-face or digital therapy sessions or finally, may involve delivering an outpatient treatment through technology. The majority of companies initially had a direct-to-consumer business model; however, many are now diversifying revenue streams by working with insurance companies, employers or organisations with duty of care (e.g. NHS, local authorities, universities) in order to provide free access to individuals. In such a crowded market it can be difficult to create meaningful differentiation, but some companies are able to do it by clearly defining the space they play in and obtaining certifications to back their products. Two such examples in the UK are the more established Togetherall (a peer-to-peer mental health community platform and the UK's only Care Quality Commission accredited online mental health support service at the time of writing this article), or start-up Fika (an app using a different language to tackle mental and emotional resilience, currently focused on the higher education sector and accredited by NCFE – a national education awarding organisation.)

FIGURE 3: Digital Mental Health Market Map - Illustrative

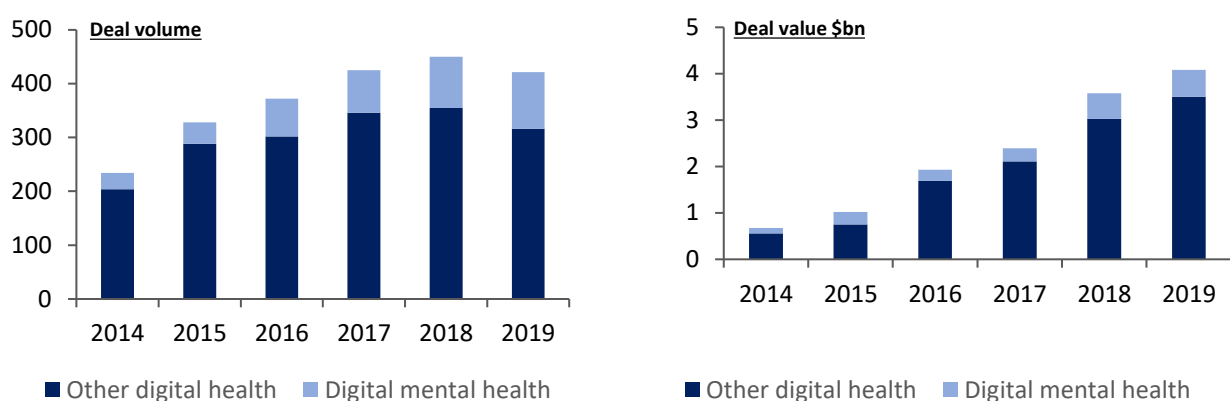


Source: Luminii Consulting research & analysis

Investment in Digital Mental Health

The investment data suggests that the digital mental health market is flourishing. Octopus Ventures has tracked deals in digital health based on Pitchbook funding data and concluded that funding has deal volume and investments have increased 5x during the 2014-2019 period: from 30 deals with \$120m raised to 105 deals with \$578m raised. This trend has continued during 2020, when many of the larger companies and even early-stage start-ups have secured significant funding. (See tables below for a list of 2020 key investments in UK and international digital mental health companies.). The UK represents a small share of the global market (16 deals in 2019 with £21.27m) indicating further opportunities for investors looking to participate in a sector that represents one of the key and most prevalent health issues facing the UK population.

FIGURE 4: Mental health investments by volume and value, 2014-2019



Source: Octopus Ventures



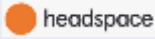









FIGURE 3: Notable public and private fundraising in UK digital mental health, 2020

	Target (HQ, year founded)	Turnover	Main Activity	Key Customers	Acquirer/ Investors	Deal details
Nov 2020	 London, 2007	(£2.9m revenue in March 2020) UK 2007	SaaS online peer-to-peer community platform. Clinically moderated and used extensively across the NHS and Local Authorities	NHS Trusts Local Authorities Higher Education	FPE Capital	\$10m growth capital to fund further growth in UK and Canada and USA expansion
Sep 2020	 London, 2004	(£8.6m revenue in Dec 2019)	Digital mental health platform for children and young adults with peer-to-peer platform and online text-chat based professional counselling	NHS	AIM listing on the London Stock exchange (Root Capital retaining minority)	£16m raised on listing plus £10m from Root Capital shares
Feb 2020	 Oxford, 2016	N/A – below reporting threshold	Spin-out of Oxford University offering automated VR therapy to treat mental health conditions	NHS Insurance	Series A fundraising led by Optum Ventures	\$13m raised in 2020 to fund USA expansion and treatment pipeline
Feb 2020	 London, 2016	N/A – below reporting threshold	platform for employees to measure and manage their mental wellbeing through scientifically-backed assessments and training programmes		Series A funding led by Project A	\$10m raised in 2020 to hire new personnel

Source: Companies House, Company websites, Crunchbase



FIGURE 4: Notable public and private fundraising in international digital mental health, 2020

		Target (HQ, year founded)	Main Activity	Key Customers	Acquirer/ Investors	Deal details
Dec 2020	Meditation & sleep	  USA, 2012	Sleep, meditation and relaxation application designed to reduce anxiety and enhance sleep	B2C	Lightspeed Venture Partners from Insight, TPG and Salesforce CEO and new Slack owner Marc Benioff	Dec 2020- \$75m Total raised to date; \$218m
June 2020	Meditation & sleep	  Santa Monica, CA, USA, 2012	Guided meditation sessions and mindfulness training app	Initial B2C focus with over 2m paying subscribers. In recent years also B2B – employers and healthcare	Series C- Blisce, Waverley Capital, Times Bridge, The Chernin Group, Spectrum Equity and Advancit Capital	June 2020- \$47.7m Total raised to date \$215.9m
Aug 2020	Digital and In-Person Therapy	  Burlingame, CA, USA, 2015	Mental health benefits platform that connects companies and their employees to mental health providers and treatments that work (in-person and remote behavioural therapy)	Employers		Aug 2020- \$110m Total raised to date: \$288m
May 2020	Digital Therapy & Coaching	  Mountain View, CA, USA, 2014	Virtual therapy for serious mental health conditions. The company also developed a biomarker panel that measures brain function from interaction patterns captured passively and continuously from human-computer interfaces. This alerts therapists between sessions if the patient's state deteriorates	Insurance	Series C- General Catalyst, ARCH Venture Partners, Foresite Capital, 8VC, Optum Ventures, and What If Ventures	May 2020- \$100m Total raised to date: \$160m
Apr 2020	Digital education platform for employee mental health	  Toronto, Canada 2004	SaaS platform for employee mental health and wellness	Employers Insurance	Round13 Growth Fund, Kensington Capital Partners and Roynat Capital.	\$42m growth capital to accelerate international expansion
Apr 2020	Digital therapeutics	  Boston, MA, USA, 2012 (with offices in Ireland and UK)	Digital mental health platform offering self-help programmes based on CBT	NHS Insurance Employers Higher education	Series B led by Memorial Care Innovation Fund	2020- \$16m 2017- \$8.1m Series A investment led by B Capital for undisclosed stake

Source: Owler, Company websites, Crunchbase



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About Luminii Consulting

Luminii Consulting is a firm specialising in Commercial Due Diligence, Growth Strategy and Value Creation. We provide corporates, private equity and their portfolio companies with strategic advice and pragmatic solutions to grow their business, make well-informed investment decisions and advise to manage risk. Luminii has extensive experience within technology, media, telecoms, retail/e-commerce, B2B products & services and healthcare.

To find out more about Luminii Consulting, please visit <https://www.luminiiconsulting.com/> or contact Lushani on +44 (0) 7917 553411 / lushani@luminiiconsulting.com

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