



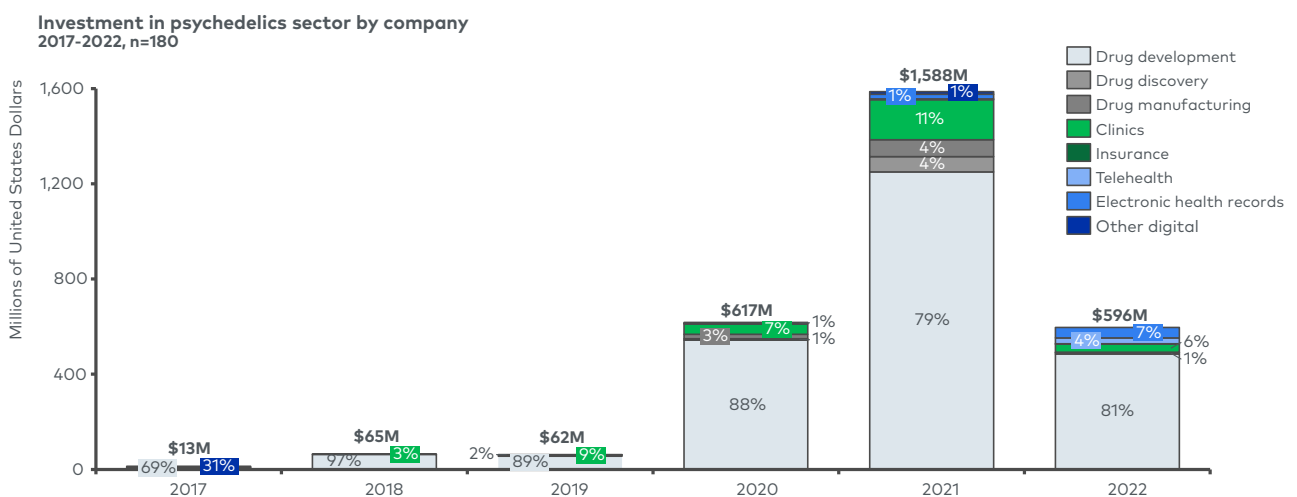
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## A Test of Resilience: Looking Forward to Psychedelics Funding in 2023

Despite the overall market slowdown, the psychedelics sector proved resilient in 2022, with almost \$600 million invested in total (Figure 1), relatively on par with 2020. The challenges in funding availability, cash burn and clinical trial practicalities will follow the sector into 2023 and must also be balanced with the looming hurdle of building, or repurposing, infrastructure for successful commercialisation.

To track the funding trends in 2022, we updated our analysis of investments entering the psychedelics space to include a total of 180 financing events between 2017 and 2022.

**Figure 1**  
Investment in psychedelics sector by company type (2017-2022)



Source: Crunchbase; company websites; Cortellis; Neuly; Psychedelic Invest; Psychedelic Finance; L.E.K. research and analysis

2022 saw continued funding directed to new drug development companies in the second half of the year, with Lusarius Therapeutics<sup>1</sup> and Sensorium Therapeutics<sup>2</sup> recording \$60 million and \$30 million in their respective Series A funding rounds. These investments, as well as continued private placements and venture capital fundraising,<sup>3</sup> demonstrate continued investor confidence, in even the earliest-stage psychedelics companies. Drug development continues to account for the majority of funding, with around 80% of funding in both 2021 and 2022.

Companies supporting psychedelic drug development activities, including clinics and digital health have raised around \$370 million since 2017. For example, during 2022, \$2 million in seed funding was invested in Enthea, an employee benefit plan administrator focused on psychedelics-assisted therapy,<sup>4</sup> and Revitalist, a ketamine clinic network, raised \$5 million.<sup>5</sup>

Looking forward, the level of funding in the psychedelics industry is likely to mirror the stormy biotech and macro economy – with potential to outperform once more. As trial results trickle in and confidence in assets increases, funding levels are likely to tick steadily upwards. Notably, there is unlikely to be a single trial result that dictates the future of the market, given the wide variety of combinations of compounds and indications trialled.

Capital is likely to become harder to come by, leading to consolidation of psychedelics companies and programmes and mergers and acquisitions shifting the landscape of market players. These trends could already be seen in 2023 with the acquisition of Eleusis by Beckley Psytech<sup>6</sup> and the narrowing of pipelines across multiple companies.

The scale of investments in ancillary sectors is likely to increase in the near term, to support the required volume of therapists and clinics to deliver psychedelics-assisted therapy. This was reflected in Psychedelic Alpha's Q4 survey of psychedelics investors, which found a small increase in investor interest in this sector, including clinics, therapist training and technology.<sup>7</sup> Beyond practical capacity planning, delivering these therapies successfully on a larger scale will necessitate investment in community-level mental health care and wider support systems.<sup>8</sup>

2023 should prove to be another resilient year for the psychedelics sector, based on the enduring potential for psychedelics to transform mental health care and beyond. As the market begins to realise the scale and specifics of this ambition and companies step into launch planning, funding is likely to shift into the various forms of infrastructure required to realise this goal.

To find out more, contact **Adrienne Rivlin**, partner.

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## About the Author



### **Adrienne Rivlin, Partner**

Dr. Adrienne Rivlin is a partner in L.E.K.'s Healthcare practice, based in the London office. She advises private and public sector organisations across the pharmaceutical, biotech, medical device and consumer healthcare sectors on their critical commercial challenges, including corporate and portfolio strategy development; product launch; pricing and market access; clinical governance structures and processes; and commercial and regulatory due diligence.

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