



Global
Corporate
Venturing



The disruptive power of femtech

New opportunities for daring CVCs



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Femtech unlocks new opportunities for investors eager to dare

- > Increase in female investors has driven sector
- > CVCs are beginning to realise its potential
- > Medical gender gap is data and acceptance challenge

By Alessia Argentieri
Council Reports Editor

Emerging as a niche at the intersection between healthcare and technology, femtech has rapidly grown and gained momentum, becoming a powerful force set to disrupt the healthcare industry.

The sector consists of tech-powered products and services aimed at improving women's health across a broad variety of applications. It comprises a few hundred startups developing innovative projects, as well as more established biotech, biopharma and diagnostics companies targeting specific areas of women's healthcare.

Femtech includes a wide range of sub-segments, spanning fertility,

period tracking, pregnancy and maternal care to menopause; sexual health; conditions like endometriosis, hormonal imbalances and premenstrual syndrome; and mental health, pain management and wellbeing.

The global femtech market generated \$820.6m in 2019 and is expected to reach at least \$3bn by the end of 2030, based on data from PitchBook. Another report recently published by Frost & Sullivan forecasts the sector's revenue to hit \$1.1bn by 2024, increasing at a compound annual growth rate (CAGR) of 12.9%, while FemTech Analytics projects a CAGR of 15.6% between 2020-27.

This rising trend has been boosted by the emergence of new generations of women with a proud, self-respecting and confident mindset, following a more independent lifestyle and enjoying increased spending power.

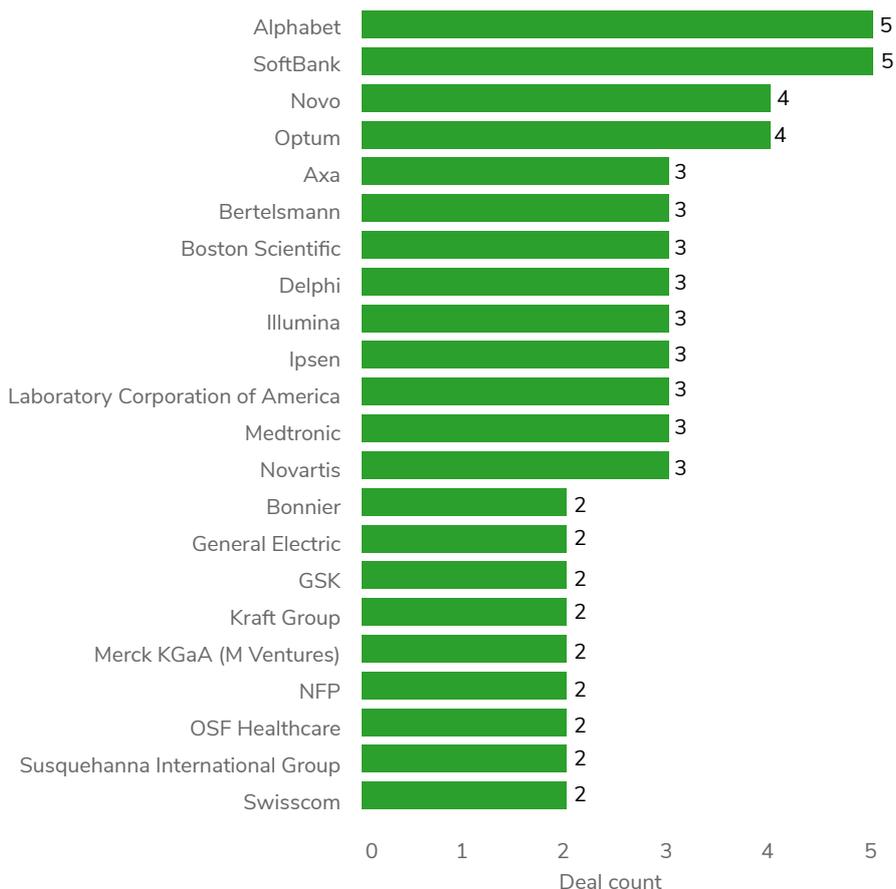
“The female population has radically changed over the last few decades. Better educated, working women that contribute substantially to household income and often wait longer to have children represent a much wider and more varied customer base,” said Theresa Sexton, managing partner at Claritas Health Ventures. “Women’s empowerment has unleashed incredible opportunities for the femtech sector, broadening its scope far beyond fertility treatments and pregnancy, to cover the entire life cycle of a woman.”

At the same time, the surge of femtech itself has contributed to the erosion of restrictions and constraints imposed by a society moulded by men and scarred by the unfairness and prejudice of its patriarchal roots.

Women behind femtech – as investors, founders, influencers and customers – are neither scared nor embarrassed to express needs that not long ago were considered taboo, sparking discussions across the male-dominated tech industry and fuelling innovation in neglected and often ignored fields of the healthcare market.

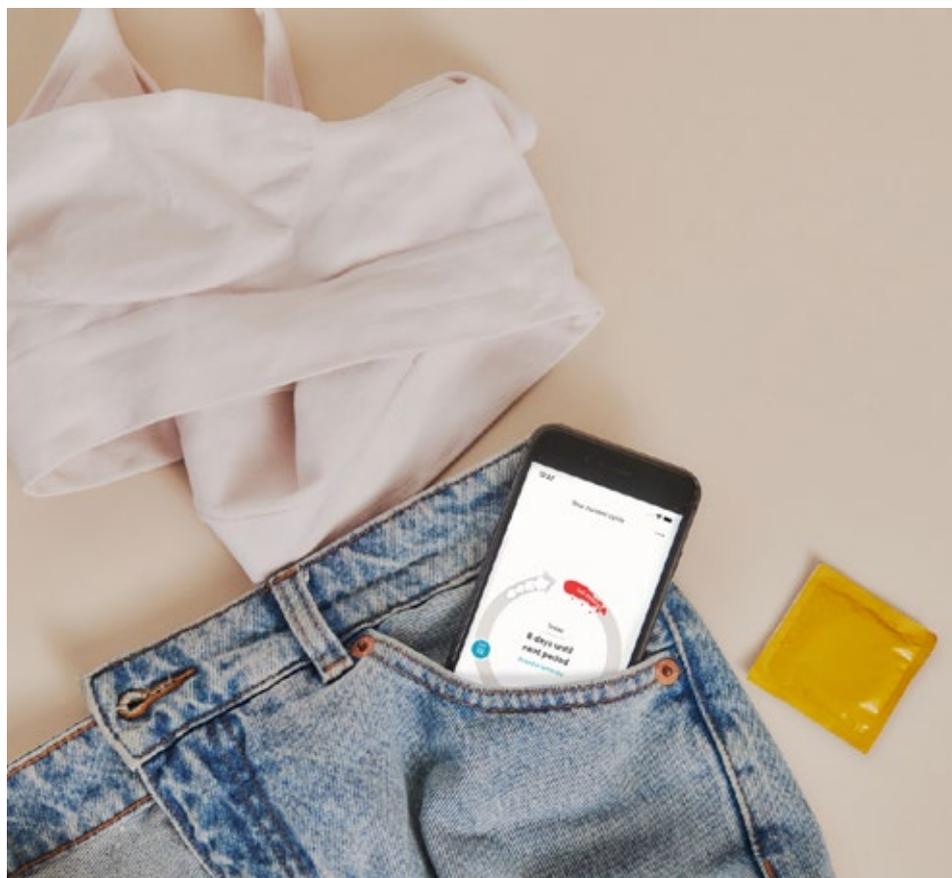
This battle for a long-overdue recognition was ingrained in the name “femtech” itself, which was coined in 2015 by Ida Tin, co-founder and chief executive of period-tracking app Clue, to legitimise and validate the space occupied by tech-enabled solutions focused on women’s health.

Top corporate investors in femtech



Source: GCV Analytics

Data as of 1 July



Clue offers a period tracking app and has developed a digital contraceptive product

Gaining that authenticity, as Tin had suggested, was essential to transforming an obscure and underfunded pool of startups burdened by stigma into an attractive investment opportunity for VC funds.

However, the name has recently sparked controversy. Its critics believe that labelling female health as a separate category within the healthcare industry might contribute to identifying women as a subordinate minority compared to the male norm, despite representing 50% of the world's population.

Regardless of what the future of the term femtech might be, these controversies are yet another sign of the fast-paced evolution within a space that has been able to rethink itself and find new boundaries to break.

The added value of female investing

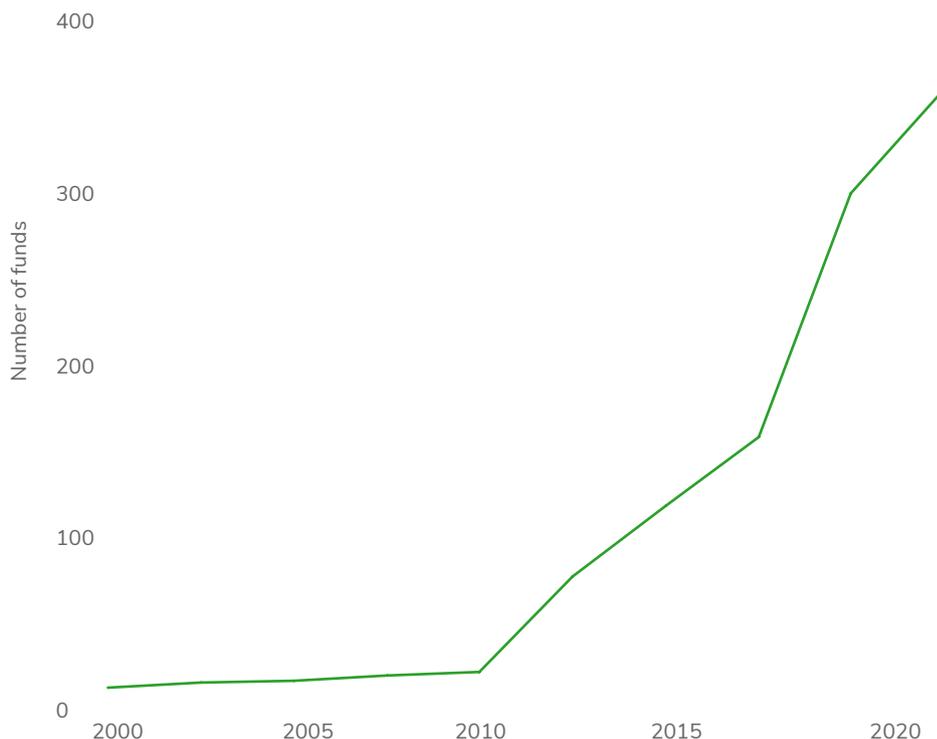
A crucial factor for the growth of the femtech sector has been the increase in female VC investors active across the market.

Despite remaining drastically low, the number of female fund managers has grown consistently over the years. In 2019, there was a 37% increase in new female VC partners across the US, according



Theresa Sexton

Women-led VC funds



Source: Women in VC

to data from All Raise. The number of funds led by women – still only 5.6% of the total in 2020 – has nearly quadrupled in the last five years, according to Women in VC.

Female founders have also increased in number in the last decade. Over the past four years, the number of startups with at least one female founding member grew from 22% in 2017 to 28% in 2020, according to Statista.

“The recent increase in both female investors and founders across the venture capital industry is creating a broader, more powerful ecosystem that provides the femtech sector with the three main ingredients for further growth: capital, opportunities and ideas,” said Karen Page, general partner at B Capital Group.

Indeed, this surge in women's presence has proven to be vital to the development of a thriving femtech industry. Female investors can perceive the potential of

products and services designed to target women's needs, spotting attractive business opportunities where their male counterparts can often see only a blind spot.

Moreover, female investors lack the bias that male investors sometimes have towards female entrepreneurs, which represent the vast majority of startups' founders across the femtech sector.

Fund managers with female partners are twice as likely to



Karen Page

invest in women-led enterprises and three times more likely to invest in companies with women as CEOs, according to a recent report published by the European Investment Bank (EIB).

This is particularly critical, given that female-led startups struggle to attract the same attention and funding as their male-led counterparts. In 2020, female founders in the US received only 14.4% of a record \$156bn raised across the VC industry, a drop from the 16.9% collected in 2019, according to All Raise.

In Europe, the amount of capital collected by female founders has been even smaller. Of the €12.9bn deployed by the European Investment Fund across the VC market, only a single-digit percentage has landed in female-led companies, according to a report published by European Women in VC.

“We have found evidence of higher risk aversion towards women-led companies, despite the fact that businesses with at least one female executive outperform the market in revenue generation, especially in later stages,” said Shiva Dustdar, head of innovation finance advisory at the EIB. “Gender investment bias and risk aversion can entangle even the most brilliant and innovative startup in a vicious circle, which is hard to break.”

This scarcity in funding, combined with a lack of strategic foresight and awareness of the sector’s opportunities, is depriving the femtech market of vital resources. Despite targeting half of the world’s population, the femtech industry has collected only 1.4% of the total capital invested in the healthcare industry in 2020,

according to data from FemTech Analytics, and only 3% of the funding deployed across the digital health sector, according to a report published by Rock Health.

“The amount of venture capital deployed into female-led companies remains scarce and represents an overwhelming obstacle for many innovative

startups operating across the female health space,” said Evie Mulberry, managing director of Astia Fund, a \$100m vehicle exclusively dedicated to investments in companies with at least one woman in a position of equity and influence.

“In addition to financing their growth with fresh capital, we



Reproductive health remains a core segment within the femtech space

provide our companies with the operational expertise that can be essential for thriving across the wider tech market which lacks awareness of women’s issues and needs.”

Corporate attraction

The femtech industry has built an investor base mostly composed of VC and growth funds from the US, with a minority of European and Asian players.

The sector has also attracted the interest of several corporate venturing arms of healthcare and technology-dedicated firms, which have started to nibble on the opportunities offered by the market.

“The femtech sector has been left behind for too long and is finally revealing its high-growth potential,” said Hakan Goker, managing director and head of the biotech team at M Ventures, the strategic corporate venturing arm of Germany-based Merck.

“It is also a very demanding field, which requires, more than



Hakan Goker

other segments of the market, a high degree of differentiation, longevity of the business model and perseverance to reach market commercialisation. In addition to this, femtech companies face the burden of a lack of visibility and understanding around female issues. One such example is endometriosis, a condition that affects around 10% of women in reproductive age and has only recently started to be adequately funded. As investors, we see a healthy increase of focus from our peers to address such underserved parts of the female health market,

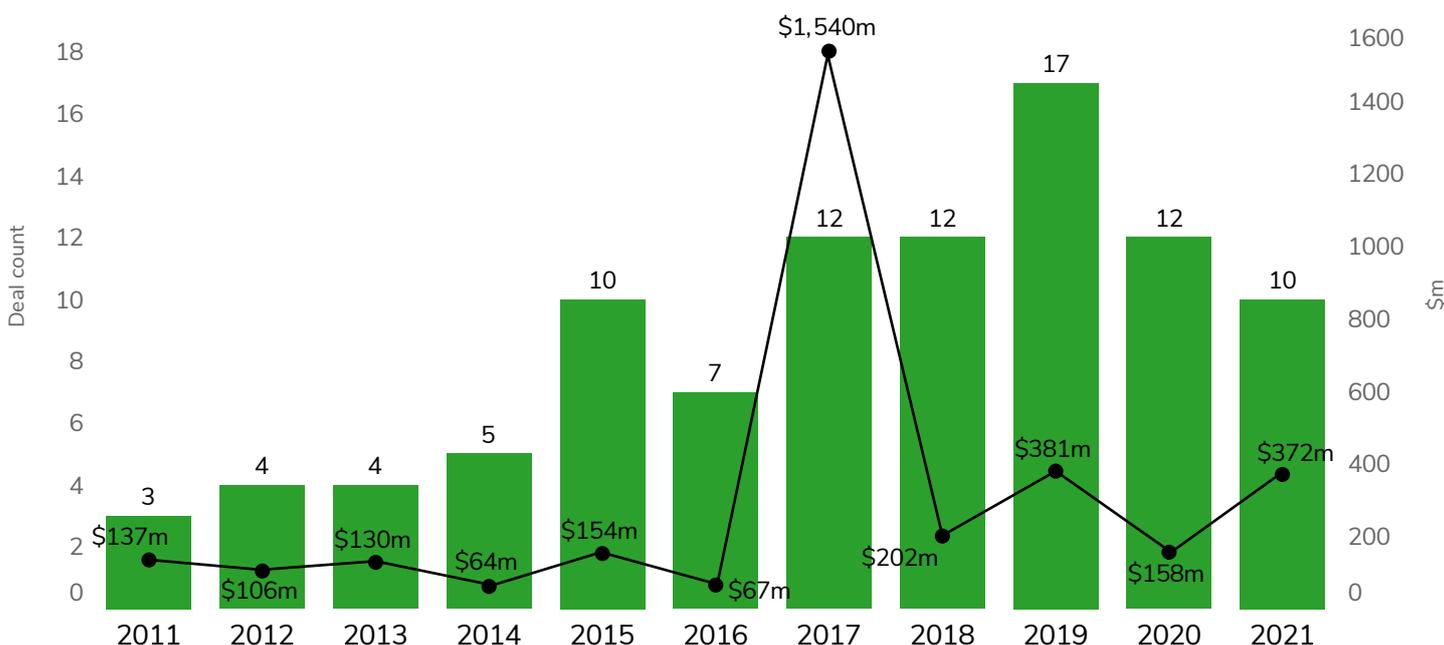
to support the growth of innovative companies able to truly improve women’s health around the globe.”

Despite the spread of the pandemic, in 2020 the sector was able to achieve a positive performance and attracted around \$158m in corporate capital. This was a small percentage of the total funding raised by femtech businesses, but a notable sign that corporations have started to pay attention to the space.

In 2021, activity across the market has been even stronger, with 10 corporate-sponsored deals signed between January and June, for an aggregate value of \$372m.

“We have seen growing interest from a large pool of investors, including several players that had not invested in healthcare before,” said Karina Vazirova, co-founder of FemTech Lab, an accelerator dedicated to startups in the area. “Life sciences and consumer corporations have also begun to join the investor pool, targeting later-stage femtech companies. We

Corporate-backed deals in femtech



Source: GCV Analytics

Data as of 1 July

expect to see an increasing number of corporate venturing investors in the coming years, especially technology and healthcare businesses but also insurance companies that might want to invest in female health products to broaden and improve their offering dedicated to women’s care.”

One of the largest corporate-backed deals in the femtech space was a \$100m series E round for Sera Prognostics, a developer of a blood-based biomarker test able to predict the risk of preterm birth.

The round was co-led by health benefits provider Anthem and investment firm Blue Ox Healthcare Partners. Following this capital injection, which has brought the company’s overall funding to \$220m, Sera Prognostics floated on the Nasdaq in a \$75m IPO.

Another company that has been able to attract both venture and corporate capital is Kindbody, a fertility and gynaecology services provider. The femtech business received \$62m in a series C round



“Life sciences and consumer corporations have also begun to join the investor pool, targeting later-stage femtech companies”
Karina Vazirova

backed by GV, the corporate venturing arm of Alphabet, last June. The round valued Kindbody at \$612m and increased its overall funding to \$122m.

Claritas Health Ventures, the dedicated healthcare arm of investment firm Claritas Capital,

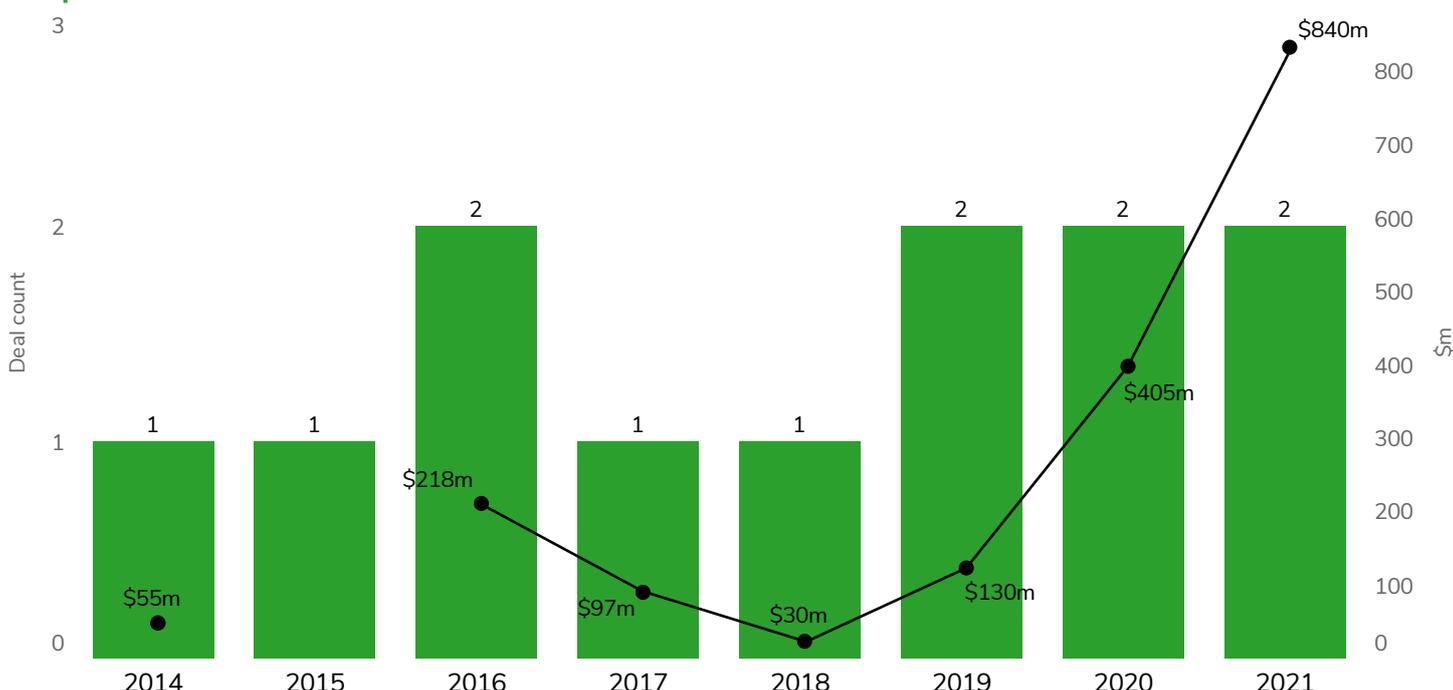
led the round, which also included Monashee Investment Management, Eldridge, Bramalea Partners, Perceptive Advisors, RRE Ventures and Rock Springs Capital.

“Kindbody is trying to bring vital change to the healthcare market by providing every patient with access to affordable fertility treatments and long-term family-building care,” said Claritas’s Sexton. “Despite women being half of the world’s population and the main household decision makers for healthcare spending, female health continues to be underfunded and underserved. Companies like Kindbody, when adequately backed and supported, can fill this gap and contribute to building a more equitable and gender-neutral healthcare system.”

The femtech sector has also been very active on the M&A side, recording several large deals and high multiple exits that have significantly expanded the size of the market.

Last year, Bayer acquired KaNDy

Corporate-backed exits in femtech



Source: GCV Analytics

Data as of 1 July



“In the last few years...we have seen several successful sales that have shown investors and entrepreneurs that it is possible to achieve great returns while supporting the growth of femtech companies”

Evie Mulberry

Therapeutics for an upfront consideration of \$425m, with potential milestone payments of up to \$450m. KaNDy Therapeutics is a biopharma company specialised in developing a treatment for the disruption of body heat control mechanisms that affects menopausal women.

More recently, Merck’s Organon, a women’s healthcare-focused drugs developer, deployed \$240m, of which \$215m upfront, to acquire Alydia Health, a medical device company focused on preventing mortality caused by postpartum uterine bleeding, one of the most common complications of birth.

The deal was an exit for Axa Investment Managers, a division of insurance firm Axa, which had invested in the company via its Impact Investing Strategy vehicle in July 2020. The company had also received backing from US-based Merck’s (a separate corporation

to its Germany-based peer) social impact-dedicated vehicle Global Health Investment Fund (GHIF) and venture capital firms Avestria Ventures and Astia Angels.

Following the acquisition, Organon has spun off from Merck as a standalone publicly traded company to focus on a portfolio of 60 drugs aimed at addressing an entire spectrum of conditions that affect women.

“Due to its small size and lack of funding, the sector was initially unable to produce consistent, sizeable exits,” said Astia’s Mulberry. “In the last few years, however, we have seen several successful sales that have shown investors and entrepreneurs that it is possible to achieve great returns while supporting the growth of femtech companies.”

Looking ahead

Despite its potential, the femtech market has a long journey ahead, scattered with complex challenges and strong barriers to break.

Femtech founders contend with a lack of awareness and credibility when raising money privately and are also at a disadvantage when looking for funding from the public sector. Unlike other innovative startups, femtech companies have not received the same support from governments and state institutions, which often seem uncomfortable openly backing projects related to topics still deemed controversial, such as contraception and sexual health.

The discomfort that often surrounds female health issues has produced a challenging environment for femtech startups in need of capital.

“A lack of education, insufficient

understanding of female health and inadequate communication around these topics have resulted in the wrong perception of women’s health as an indistinct space where different issues, needs, diseases and problems are blended together in an undifferentiated pool,” said Aagya Mathur, co-founder and CEO of smart pill sleeve developer Aavia. “Breaking this misconception can be very challenging for femtech founders that are trying to find financing for their businesses and gain visibility. A good starting point to tackle this limitation would be developing an open conversation and building a stronger community with solid and widespread connections.”

Another complex hurdle for many femtech companies lies at the crossroads between innovation and regulatory frameworks. When bringing a ground-breaking product to market, femtech companies are faced with convoluted and often



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Aagya Mathur

dated laws and regulations that differ from country to country.

This year, after submitting clinical trials and multiple performance tests, digital reproductive health company Ava, which has been operating in the femtech space since 2014, received FDA clearance for its fertility tracking wearable, and Clue, another early pioneer in the femtech space, obtained FDA approval for the launch of its digital contraceptive product.

“Regulatory restrictions and compliance issues can represent a significant barrier to femtech companies developing innovative devices, solutions and services, and this as well as other factors, needs to be addressed when evaluating an investment opportunity,” said B Capital’s Page.

“In addition, some barriers to technological advancement in healthcare are related to providers and systems that are unable to progress either because their mentality has not embraced change or because the frameworks they have to operate within carry limitations. It is essential to understand how to break down these underlying barriers and embrace further innovation.”

However, remarkable progress has been achieved in segments that not long ago were completely ignored and are now projecting the strongest growth, such as hormone imbalance and menopause.

By 2030, around 1.2 billion women are expected to be perimenopausal, menopausal or postmenopausal. Once they have reached this stage in their lives, women have usually also achieved greater financial security, higher income and stronger spending power. This is a huge market for

“Gender investment bias and risk aversion can entangle even the most brilliant and innovative startup in a vicious circle, which is hard to break”

Shiva Dustdar



privacy and security issues, leading to infamous scandals. This grey area will certainly require further regulatory protection that will necessarily involve femtech business’ practices as well.

Besides growing across its verticals, the femtech sector is also expected to expand into new geographies.

“Another strong area of growth for femtech businesses is across the emerging markets, considering that around a third of urban women live in emerging countries,” said FemTech Lab’s Vazirova. “This represents an unharvested field of commercial opportunities, as well as an important social impact area of intervention. Entering these markets requires a deep knowledge and understanding of their specific needs and the ability to develop the right products to improve and optimise women’s health.”

In addition to the exceptional high-growth potential forecast for some sub-segments, vigorous M&A activity is expected across the entire femtech market in the coming years, with the development of buy-and-build projects and aggregation platforms already on the way.

“This is a rising, fragmented market, which offers a rich supply of potential target companies for M&A and consolidation projects,” said Claritas’s Sexton. “Pursuing an aggregation strategy can be the key to avoiding overlapping

technology-enabled healthcare solutions dedicated to addressing the effects of menopause, such as symptom tracking apps, virtual clinics and wearables.

Further growth is also forecast in relation to data collection opportunities developed by femtech businesses, which have helped gather a huge amount of data around women’s health. This has been particularly significant considering that women were excluded from research and clinical studies for decades, resulting in a lack of medical data for the female population.

Femtech companies could therefore contribute to bridging this medical gender gap, increasing our understanding of female disorders and improving prevention and treatment of many conditions. However, in our technology-dominated society, data is power and represents a highly craved commodity, whose management and trade have already raised

propositions and optimising differentiation while building comprehensive, well-structured platforms able to meet the ample variety of complex needs that women have during their lives.”

Activity is also likely to increase riding the wave of a new sentiment that has recently emerged across our society. Stimulated by climate change, anti-racism campaigns, battles for gender equality and most recently the pandemic, which has abruptly changed our way of life, consumers have developed a more ethical and sensitive mindset. This has boosted the development of a socially responsible investment approach embraced by many investors, which have been pursuing strategies aimed at delivering positive and tangible social impact.

“The sector is booming, and we expect that it will continue to flourish in the coming years,” said Astia’s Mulberry. “At a time when ESG has become a core requirement



Aavia offers a tracking app to address hormone health and a smart pill case that reminds users to take their pill on time

and focus point for most investors, the femtech sector is set to attract increasing interest from institutional, private and corporate investors. Being able to achieve high returns while making a positive impact on society and contributing to its development is the perfect recipe for a successful investment and a better world.”

With its fight against anachronistic constraints and unjust boundaries, the femtech ecosystem has shown everyone that there is room for change and innovation, because a society where female health is left in the shadowed corners of the healthcare market is in desperate need of deep transformation.