

Emerging Space Brief

Psychedelics

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Top companies by total VC raised | Total raised: \$147.6M



journey colab

SYNTHESIS



wavepaths



Lumenote

PSYLO



Contact

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Overview

The psychedelics space includes companies harnessing mind-altering substances to treat mental illnesses such as addiction, depression, and PTSD, among others. Though substances such as psilocybin and LSD have long been outlawed by the US government, changing cultural attitudes and recent promising scientific studies have reopened the door for their potential legalization. Companies in this space are primarily developing psychoactive treatments for mental health conditions but may also be either operating clinics to provide these therapies or developing software to help clinics manage patient treatment.

Applications

Mental health treatment

Startups in this space are actively researching the ways psychedelic treatments can treat mental health conditions ranging from addiction to depression. For many years, scientists have been aware of psychedelics' ability to treat addiction. However, due to restrictive regulations on the substances, scientists were unable to perform official research. Recently, in light of new evidence and changing cultural attitudes, the Food and Drug Administration (FDA) altered its stance on mind-altering substances, thereby greenlighting trials into psilocybin and MDMA. Presently, all treatments are still in trial phases, with studies conducted in a controlled medical environment.

Technologies & processes

"Resetting" the brain

To gain FDA approval, knowing how a drug works is not a prerequisite. Rather, the key criteria include demonstrating proof that a drug both does no harm and has a strong efficacy rate for its targeted problem. In the case of psychedelics, proponents aren't yet certain of the exact science at play, but rather are focused on the substance's reputation for providing mind-altering experiences. Indeed, part

of the allure—or fear—of psychedelics is their ability to alter the user’s mind in enduring ways. Researchers often talk about the experience as a “reset,” which could allow those with substance misuse disorders a reprieve from addictive tendencies, enable those experiencing post-traumatic stress disorder a break from their trauma-borne anxiety, and give individuals diagnosed with depression a potential opportunity to combat their symptoms.

Outlook

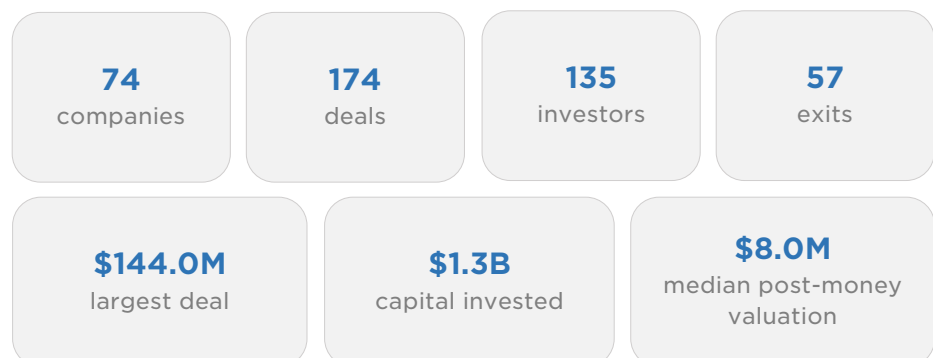
What’s old is new again

In many ways, the deep roots of hallucinogenic substances serve as an enduring mark of their importance today. The fact that civilizations around the world have experimented with them for thousands of years has enabled further experimentation by later generations—notably in the 1960s—and most recently among modern medical researchers. The difference now is that old assumptions are no longer being taken for granted. Scientists and doctors perform rigorous research to understand just how effective these substances can be when used in a controlled environment and whether they can fully replace, or just supplement, existing mental health treatments.

Cannabis as a gateway drug

One should not confuse the medical effects of cannabis with those of psychedelics. The two drugs treat different problems and are being tested and used in different conditions. However, the regulatory achievements that cannabis advocates have attained could provide a roadmap for the psychedelics industry. While recreational psychedelics advocates certainly exist, current advocates focus on proving viability in a medical context and are looking to states to legalize psychedelics on a case-by-case basis—similar to what’s been done with cannabis. Oregon became the first state to legalize the sale of psilocybin-containing mushrooms in November 2020—but only for therapeutic purposes. Moreover, by approving research into both psilocybin and MDMA, the FDA has signaled its interest in further study. This type of research could open further doors to the future medical legalization of psychedelics.

Quantitative perspective



*As of November 3, 2021

Recommended reading

["A Major Psychedelics Company Just Landed a Record Sum of Cash From VCs," *Business Insider*, Jeremy Berke & Yeji Jesse Lee, November 23, 2020.](#)

["Investors Are Pouring Millions Into Startups That Are Developing Magic Mushrooms as Medications for Conditions Like Depression and PTSD," *Business Insider*, Yeji Jesse Lee, October 22, 2020.](#)

["Psychedelics Inc.," *Medium*, Marc Gunther, April 28, 2020.](#)

["Silicon Valley's Psychedelic Wonder Drug Is Almost Here," *Fast Company*, Ruth Reader, December 9, 2020.](#)

["Move Over, Pot: Psychedelic Companies Are About To Go Public," *Bloomberg*, Kristine Owram, February 11, 2020.](#)