

Femtech Expected to Break New Grounds

Segmenting the rapidly growing femtech venture space

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Introducing femtech

The femtech industry refers to the range of health software and tech-enabled products that cater to female biological needs. As a subcategory of health technology, this vertical attempts to highlight the historical and systemic exclusion of women's health needs in the healthcare industry while creating targeted solutions for a range of those needs, including menstrual cycle tracking, fertility, and pregnancy.

Defining the femtech space can be elusive. For example, while some view beauty and skincare products as part of the industry, we included only those products and services for which there is a medical need. We group the femtech startup landscape across the following subsegments: general health & wellness, healthcare & diagnostics, reproductive health, and pregnancy & family care.

Ida Tin, founder of Clue—a mobile fertility tracking application created in 2016—coined the term “femtech” in response to male investors’ struggle to discuss female-focused products. Tin claimed the term allows investors to say: “‘I have four femtech companies in my portfolio,’ instead of ‘I have a company for women peeing in their pants.’ That’s hard for a male investor to say,” she explained.¹

The term femtech has since proven to be a bit controversial. Many propose using a different term so as not to alienate nonbinary, transgender, and other gender-nonconforming individuals who experience many of these related health concerns. Others reject the creation of a separate category for women's health within healthtech, arguing that the specific naming of a female-focused vertical without a “mentech” industry designates women as the “other” and men “the norm.”

While we expect the industry and the language surrounding femtech to adapt over time, we use the term in the PitchBook Platform and throughout this note to describe the space as it calls out and addresses the unfortunate disparity in female-focused health solutions. Although many entrepreneurs recognize the opportunity to apply modern technology to create female-focused products, a

previous lack of investor interest and minimal female-focused medical research kept the femtech industry somewhat marginalized.

VC investment

In 2019, the global femtech market generated \$820.6 million and is estimated to reach at least \$3 billion by the end of 2030.² Even with this relatively solid growth outlook, we believe femtech remains a significantly underdeveloped area of healthtech. Despite the estimated \$500 billion³ in annual medical expenses attributed to women, only 4% of all healthcare research and development is targeted specifically at women's health issues.⁴

Femtech posted \$592.1 million in VC investment in 2019, a slight decrease from 2018's \$620.3 million total. The space accumulated \$376.2 million in VC across 57 deals in 2020 YTD, putting the year on pace to match 2019's levels. Recent femtech deals of note include Maven Clinic's \$45.0 million Series C and Sera Prognostic's \$65.7 million Series D.

One reason the industry has struggled to gain significant VC attention is the relatively poor track record of sizable exits. Only six femtech exits were completed in 2019; however, this still represents a 64% increase in exit value compared to 2018. The largest exits in recent years include Progyny's (NASDAQ: PGNV) \$130.0 million IPO and Procter & Gamble's (NYSE: PG) acquisition of This is L. for \$100.0 million. Progyny's stock has roughly doubled in the eight months since it went public.

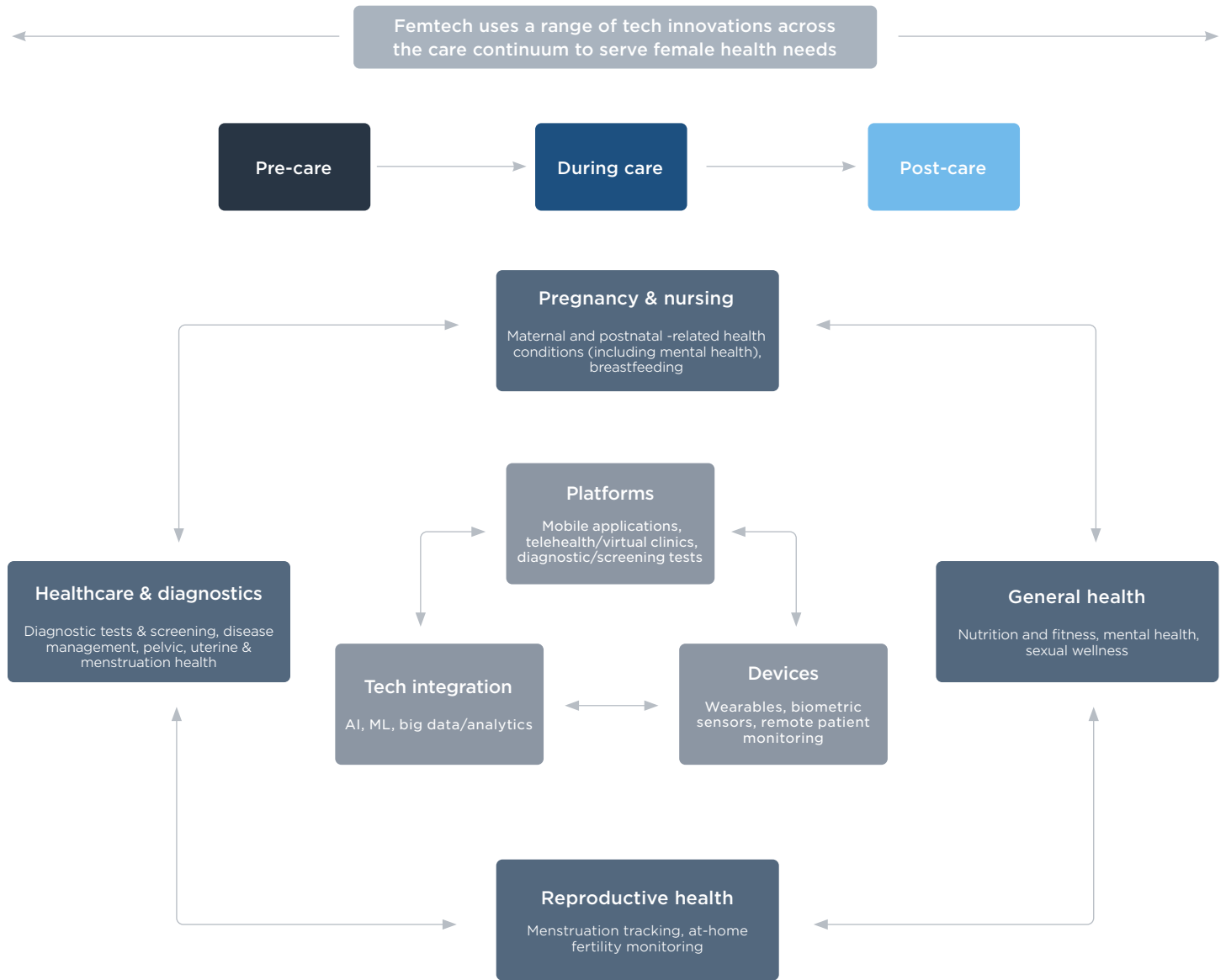
While we still view femtech as a niche industry, we believe secular drivers could help propel new growth opportunities in the space. These include the increasing representation of women in the venture-backed technology community, rising awareness and acceptance of women's health issues, and the growing prevalence of infectious diseases among women in some countries in Africa and Asia. Furthermore, while the majority of femtech products have traditionally focused on reproductive health, we believe new approaches to women's health research will help open the door to new products and services. This will likely include new approaches to general health & disease management with a focus on heart health, pain management, and diabetes and weight management.

2: "Global Female Technology (Femtech) Market: Analysis and Forecast, 2019-2030," BIS Research, June 2020.

3: Ibid.

4: "Women's Healthcare Comes Out of the Shadows: Femtech Shows The Way to Billion-Dollar Companies," Forbes, Reenita Das, April 12, 2018.

Femtech application areas



Source: PitchBook

Femtech market map

Reproductive health



Healthcare & diagnostics



General health & wellness



Pregnancy & family care



Market size

As a whole, fertility solutions are projected to reach \$41 billion in sales by 2026.⁵ Furthermore, the lack of hormonal and side-effect-free birth control creates opportunity for fertility tracking products, as those who menstruate seek out ways to better manage their cycle without medication. However, we expect more expansion into personalized general health and disease management with a focus on heart health, pain management, diabetes, and weight management. This expansion is driven by the universal growth of the personalized medicine industry, which is expected to reach \$3.2 trillion by 2025, registering a CAGR of 10.6% over the forecast period.

Key industry growth drivers:

- **Large market opportunity:** Working-age women spend 29% more per capita on healthcare compared to men and are 75% more likely to use digital tools for healthcare than men.⁶ Furthermore, despite representing an economic burden of over \$500 billion,⁷ only 4% of healthcare research and development funding is targeted toward women's health.⁸
- **Conducive regulatory environment:** Since 2016, regulatory agencies have supported modern digital applications for the treatment of conventional women's health issues. For instance, Natural Cycles, a hormone-free birth control application, received CE approval as a Class-Two medical device to be marketed in Europe in 2017, and the FDA approved Ava, a fertility tracking wearable, as a Class-One medical device in 2016.
- **VC funding on the rise:** Personalized wellness and consumer healthcare technology, a key area within femtech, has been a top-five investment area in digital health for several years.⁹ Furthermore, VC funding in femtech has been steadily increasing since 2011.
- **Rise in preventive medicine and holistic health:** Numerous femtech startups are focused on increasing general wellness through providing preventative health opportunities, such as fitness and mental health applications and devices. In addition, holistic health aims to draw connections between physical, mental, and emotional health. Individuals frustrated with siloed health specialists have turned to solutions that seek to address the root cause of a health problem rather than suggesting medication to deal with its adverse effects. This has benefited fertility-focused femtech startups as fertility issues are often caused by numerous triggers.
- **Health IT advancements:** Advancements in health technology (for example, AI and cloud-based informatics), have made personalized solutions more accessible and affordable. The rise of digital tools has helped users understand and manage their health data and has driven targeted solutions that allow consumers to create more personal health experiences.

5: "How Femtech is Advancing Women's Health," HIMSS, April 21, 2020.

6: "Femtech is Expansive—It's Time to Start Treating It As Such," Rock Health, Nimerta Sandhu, Elena Gambon, and Chipper Stotz, August 3, 2020.

7: "Global Female Technology (Femtech) Market: Analysis and Forecast, 2019-2030," BIS Research, June 2020.

8: "Women's Healthcare Comes Out of the Shadows: Femtech Shows The Way to Billion-Dollar Companies," Forbes, Reenita Das, April 12, 2018.

9: "Femtech—Time for a Digital Revolution in the Women's Health Market," Frost & Sullivan, January 31, 2018.

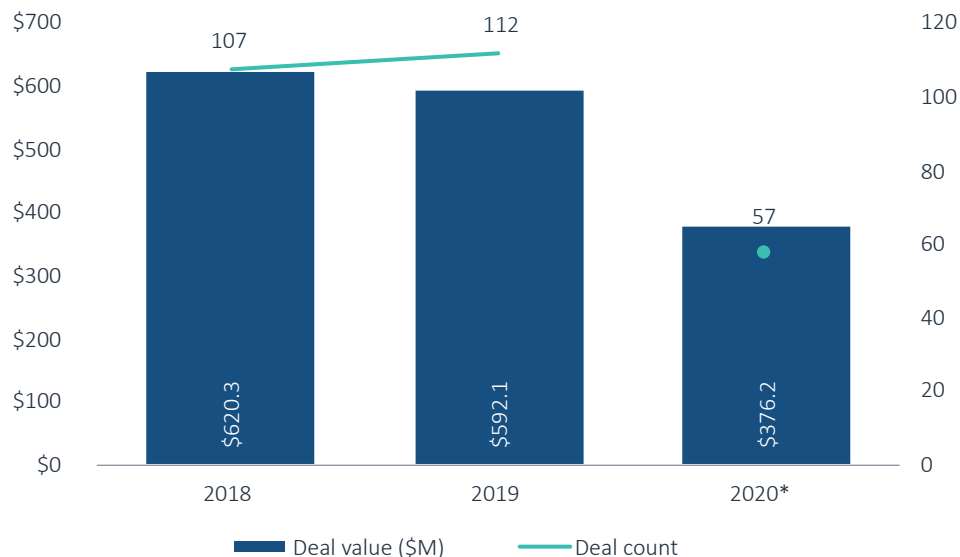
Funding trends and forecast

Most recent femtech VC deals

COMPANY NAME	CLOSE DATE	DEAL SIZE (\$M)	PRE-MONEY VALUATION (\$M)	POST-MONEY VALUATION (\$M)	DEAL TYPE	INVESTOR(S)
Kindbody	July 8, 2020	\$32.0	\$110.0	\$142.0	Series B	NFP Ventures, Claritas Capital, Freemark Partners, RRE Ventures, GV, Goodgrower, Perceptive Advisors, Rock Springs Capital, Saltwater Capital
TMRW Life Sciences	May 19, 2020	\$36.5	\$75.0	\$111.5	Series B	5AM Ventures
Sera Prognostics	February 27, 2020	\$65.7	N/A	N/A	Series D	Chione Ltd, Catalyst Health Ventures, Laboratory Corporation of America, Domain Associates, InterWest Healthcare Partners, Blue Ox Healthcare Partners, Intermountain Ventures
Maven Clinic	February 19, 2020	\$45.0	\$220.0	\$265.0	Series C	Oak HC/FT, Icon Ventures, GingerBread Capital, Anne Wojcicki, Sequoia Capital, Spring Mountain Capital, Female Founders Fund, Reese Witherspoon, Natalie Portman, Mindy Kaling, Harmony Partners, 14W
Care/of	February 18, 2020	\$40.7	\$200.0	\$240.7	Series C	Bayer

Source: PitchBook | Geography: Global
*As of August 5, 2020

Femtech VC deal activity



Source: PitchBook | Geography: Global
*As of August 5, 2020

Most recent femtech VC exits

COMPANY NAME	CLOSE DATE	DEAL VALUE (\$M)	EXIT SIZE (\$M)	PRE-MONEY VALUATION (\$M)	POST-MONEY VALUATION (\$M)	EXIT TYPE
Lucina	January 13, 2020	N/A	N/A	N/A	N/A	Buyout/LBO
Girlboss	December 17, 2019	N/A	N/A	N/A	N/A	M&A
Progyny	October 25, 2019	\$87.1	\$981.2	\$981.2	\$1,068.3	IPO
Prelude Fertility	March 29, 2019	N/A	N/A	N/A	N/A	Buyout/LBO
This is L.	February 5, 2019	\$100.0	\$100.0	N/A	\$100.0	M&A
Cellapy	January 23, 2019	\$35.6	\$35.6	N/A	\$59.4	M&A

Source: PitchBook | Geography: Global
*As of August 5, 2020

As of August 5, 2020, \$376.2 million in capital has been invested in femtech startups. There was only one acquisition in the space in 2020; Lucina was acquired by Unified Women's Healthcare through an LBO. While no companies have publicly listed in 2020, She Beverage Company filed a S-1 in January for \$252.5 million. The company manufactures, sells, and distributes beverages designed to meet female-specific nutritional needs.

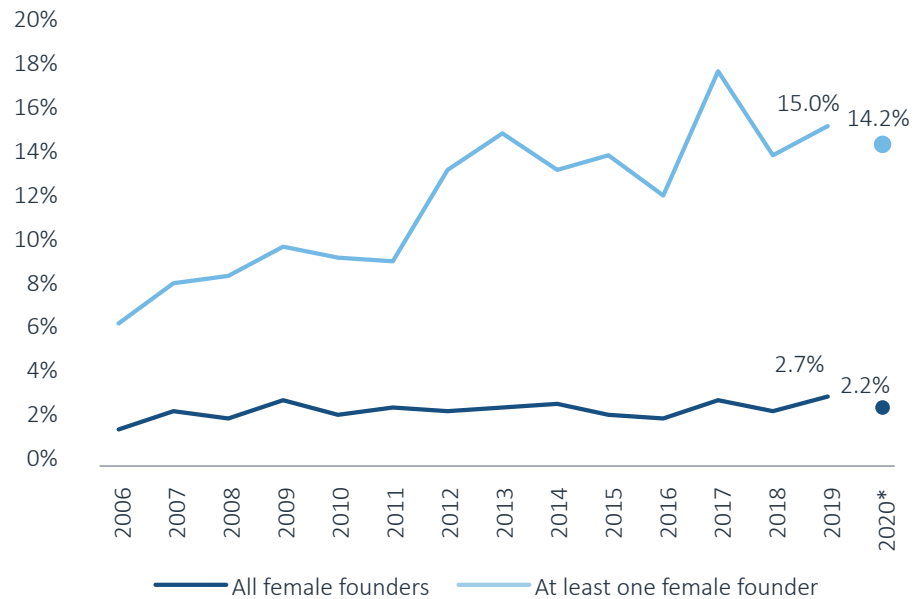
- Pitching to male investors remains a challenge:** Currently, only 17% of startups have at least one female founder, and we expect that in 2020, only 14% of VC investment will go toward female-founded startups. Additionally, over 90% of VC decision makers are male,¹⁰ and research indicates that female founders are more reluctant to ask for funding.¹¹ These funding barriers will likely have a disproportionate impact on the femtech industry as only 69% of the femtech startups we track have at least one female founder. Furthermore, male investors may not seek to understand women's health issues, preventing them from successfully gauging the market opportunity. However, we believe these barriers may be subsiding as male investors begin to recognize the femtech market opportunity and as the VC world becomes more gender-diverse. In fact, female-founded companies deliver over twice as much per dollar invested than their male-owned counterparts, which could potentially increase investor attention.¹²

10: "Venture Capital is Still Very Much a Boys' Club," Axios, Dan Primack, February 14, 2019.

11: "Financing, Mentorship, and Female Entrepreneurs," Score, Bridgett Weston, May 14, 2019.

12: "Why Women-Owned Startups Are a Better Bet," BCG, Katie Abouzar, et. al., June 6, 2018.

Female-founded companies as a proportion of total US VC deals (\$)



Source: PitchBook-NVCA Venture Monitor | Geography: US
*As of June 30, 2020

- **Opportunity larger in certain regions:** Femtech may be more successful in countries with a largely privately funded healthcare system, such as in the US. Private healthcare markets tend to result in more pain points as individuals are often required to self-fund fertility methods or other health treatments.
- **M&A most common among startups in the general health & wellness category:** While only one acquisition has occurred in 2020, there were six in 2019. Five of the six acquisitions in 2019 occurred within the general health & wellness subsegment, with the largest being Procter & Gamble's acquisition of This is L., an organic menstrual product producer and distributor, for \$100.0 million in February 2019. Plackal, which creates a reproductive health tracking application, was the only non-general health & wellness-focused startup to be acquired in 2019.
- **Startups pursuing full lifecycle products:** We believe most startups focused on healthcare & diagnostics, reproductive health, and pregnancy & family care remain single-product companies. As the industry matures, we expect product diversification potentially driven by M&A. Recently, we have seen pregnancy-focused apps begin tapping into the menopause market, suggesting an expanding opportunity for fertility startups. For example, Woom raised \$2.2 million in May 2020 and plans to use the capital to develop products that target menstrual cycle tracking, conception, pregnancy and postpartum, and menopause.

Growth areas

Endometriosis: Endometriosis, a painful disorder in which tissue similar to the intro-uterine lining grows outside of the uterus, affects one in every 10 women, equivalent to the number of people affected by diabetes. However, only around \$1 of research funding is invested in endometriosis for every \$200 invested in diabetes.¹³ In the next five years, the global market for endometriosis is expected to reach \$2.3 billion, presenting a huge growth opportunity for products and services focused on the disorder.¹⁴ Recently, numerous endometriosis-focused startups have raised large Series A rounds. For example, DotLab, which develops a diagnostic platform to test for endometriosis, raised \$10.0 million in June 2019, and NextGen Jane, which creates tampons aimed at diagnosing endometriosis, raised \$9.0 million in March 2019.

Personalized, female-oriented approach to general health & disease management: We expect femtech solutions will likely expand beyond reproductive health to include personalized and female-oriented approaches to general health & disease management, with a focus on heart health, pain management, and diabetes and weight management. For example, as researchers better understand microbiomes and gut bacteria, startups can harness that knowledge to create therapeutics that help maintain a healthy vaginal microbiome. Corporate-backed LUCA Biologies is currently exploring this opportunity by creating products that increase certain vaginal bacteria to foster an infection-resistant environment.

Menopause: Menopause offers a potentially lucrative yet underdeveloped opportunity, especially with the steadily rising purchasing power of women approaching the age of menopause. Founders have historically sidestepped menopause as it is affected by a complex mix of factors including hormones, and mental, metabolic, and heart health, among others. As these areas begin to be individually and collectively researched in relation to menopause, startups will be more likely to develop related products. One company, KaNDy Therapeutics, is developing a therapeutic treatment to reduce the multiple symptoms of menopause, such as hot flashes and sleep disturbances. It was recently acquired by Bayer.

13: "Femtech Moves Beyond the Fertility App," Sifted, Amy Barrett, March 18, 2020.

14: Ibid.