

FemTech – A market on the rise

2021 was a banner year for the women's health and wellness industry as global venture capital investment in FemTech companies surpassed \$1B for the first time. This was attributable to a number of high value deals in the sector, including Elvie's \$97M Series C fundraise and Maven's \$110M Series D fundraise, which resulted in Maven becoming the first FemTech unicorn.

This trend towards increasingly high profile deals is continuing into 2022, as Kindbody's acquisition of Vios Fertility Institute in January brought the company's valuation to \$1.15B, making it the second FemTech company to reach unicorn status in less than a year. As current projections indicate that the global FemTech market is estimated to grow at a compound annual growth rate (CAGR) of 12.2%, this article considers some of the key areas for advancement in the sector, as well as possible challenges to that progress.

FemTech represents a broad range of companies that are focused on developing technology aimed at improving women's health and wellbeing. These companies tend to coalesce around four subsegments:

healthcare and diagnostics

reproductive health

pregnancy and family care

general health and wellness.

Of these, reproductive health, pregnancy and family care currently dominate the market, meaning that, as a recent McKinsey report points out, “there are still significant white spaces” for growth.

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One of the key areas for future development in the near term is in menopause care, with only 6% of FemTech companies currently focusing on a phase that accounts for more than a third of a woman’s life. There are limited resources available for menopausal women and there is a demonstrable unmet need for innovation, as a survey conducted by the American Association of Retired Persons shows that 84% of menopausal women believe that symptoms relating to menopause interfere with their daily lives and the majority of these women do not seek treatment. As the number of women experiencing menopause is expected to reach 1.1 billion worldwide by 2025, this is a growing market that includes professional women at the height of their careers and earning power. There is also a proven economic impact, with studies indicating that untreated menopause symptoms result in \$770 in lost productivity costs per patient per year.

Another area for advancement, applicable to both existing and emerging FemTech companies, is the method by which these companies deliver their products and services to consumers. The focus of FemTech companies has typically been to go directly to the end user (a “Business-to-Consumer” model), with an example being a menstrual cycle tracking application, like Flo Health, which women can download directly onto their smart phones. There are strong reasons for the popularity of the Business-to-Consumer model in the industry as this method allows women to take their health into their own hands often from the comfort of their home. It also takes advantage of trends in the healthcare space, including wearable technology and the increased desire for remote healthcare in the wake of the COVID-19 pandemic. However, to drive further change in the broader healthcare industry, FemTech companies can

also consider moving beyond this model to seek out partnerships with healthcare companies, government healthcare organisations and employer health insurers (a *"Business-to-Business" model*). The key advantage of a Business-to-Business model is that it increases accessibility by providing innovative health solutions to a broader range of women and results in a lower cost burden on the user. While the Business-to-Business model is a less well-trodden path in Fem-Tech, market leaders have begun to explore this approach. For example, Elvie has signed a partnership with the UK National Health Service, making its smart pelvic floor exerciser available at *no direct cost to the patient*. In January 2022, Peppy Health signed a partnership with Axa Health through which Axa can offer employees of its large corporate clients access to Peppy's application, which allows users to connect with experts in the areas of *fertility, early parenthood and menopause*.

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While there are many meaningful areas for growth for FemTech and it is evident that it is an industry on the rise, securing investment remains a key challenge, with investment into companies focusing on women's digital health companies representing only 3% of *digital health funding*. PitchBook analysis also shows that there are large disparities in funding for companies with only female founders, which is typical for companies in the *FemTech space*. There are various factors contributing to this lower level of investment, notably a venture capital space dominated by male investors and the fact that FemTech is a young industry without a proven track record of sizable exits for investors. However, as the industry matures, we can expect this tide to change and can be encouraged by the increase in female led funds and dedicated resources for FemTech entrepreneurs (including *FemTech Lab, a leading global FemTech accelerator*). Given the strong examples of companies like Maven and Kindbody which demonstrate the size of the industry and increase its visibility to investors, alongside the growth proposition and investment opportunities in the market, we can expect significant development to come, as the industry becomes an increasingly essential part of the digital healthcare space.

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