

THE WALL STREET JOURNAL.

INDUSTRY NEWS

New Venture Firm Adds to Surge in Psychedelic Investments

Florida lawyer Dustin Robinson recently created Iter Investments to allocate capital for the development of psychedelic drugs



A new venture firm is adding to a recent surge of investments in startups betting on the potential of psychedelics to help people with mental illnesses.

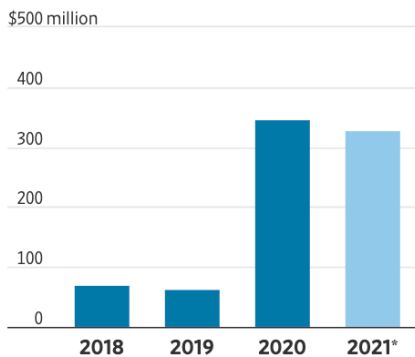
Iter Investments, a firm launched by an attorney who works with cannabis and psychedelics businesses, has sprung up to finance startups in these sectors, and has recently completed its first two deals.

Venture funding for psychedelics is soaring, drawing investors such as Peter Thiel, a backer of ATAI Life Sciences BV, a German startup that formed in 2018. ATAI Life Sciences now plans to go public to finance its development of drugs for mental illnesses, including five psychedelic compounds.

Not long ago, this sector barely existed. Psychedelic-medicine startups raised \$1 million across three financings in 2017, according to global figures from market tracker CB Insights. They collected \$346 million through 43 venture rounds in 2020, and through April 22 this year, startups in the market had secured \$329 million in 12 venture deals.

Psychedelic Sector Skyrockets

Deal value for global venture-capital investments in psychedelic-medicine startups has risen since 2018.



*As of April 22
Source: CB Insights

Proponents say new strategies are needed to help millions of people who get insufficient relief from existing medicines for conditions such as depression, anxiety and addiction. Nearly one in five U.S. adults lives with a mental illness, according to the National Institute of Mental Health.

A growing body of research illustrating the potential of psychedelics has led more investors to conclude the field has matured enough to warrant investment, said Dakin Sloss, founder and general partner of Prime Movers Lab. He added that his firm has just made a psychedelics investment, though it hasn't yet revealed the company publicly.

With the general upswing in life sciences venture funding, there are now more investors willing to take the risks of betting on this new industry and navigating its scientific and regulatory hurdles, Mr. Sloss said.

Although psychedelic drugs that go through the process of earning Food and Drug Administration approval are an emerging field, humans have a long history of using psychedelics for recreational and medicinal purposes, so information about their impact on the brain has been building for many years.

"It's sensible that there's so much money going into it," said Jacob Vogelstein, co-founder and managing partner of Catalio Capital Management, an investor in Berlin-based ATAI Life Sciences. "You're not just betting on an animal model translating results from mice to humans. We've, in some sense, been our own guinea pigs in psychedelics for hundreds of years, if not longer."



Investors such as Peter Thiel have backed ATAI Life Sciences.

PHOTO: BEN MARGOT/ASSOCIATED PRESS

Obstacles facing these companies include potential resistance from patients and doctors worried about the mind-altering side effects of psychedelics, as well as the general difficulty of developing new medications for complex brain disorders.

Delix Therapeutics Inc. aims to steer around these difficulties by developing versions of psychedelic compounds that have been modified to eliminate their hallucinatory effects. The Boston-based company, whose investors include OMX Ventures, is basing its work on research from the University of California, Davis, showing that psychedelics can encourage a beneficial rewiring in a part of the brain, the prefrontal cortex, that atrophies in patients with mental illnesses, according to Chief Executive Mark Rus.

Delix, whose early-stage compounds have yet to enter human studies, is targeting conditions such as addiction, according to Mr. Rus, who headed the neuroscience business of pharmaceutical company Shire, now part of Takeda Pharmaceutical Co., before joining Delix as CEO in March.

Fort Lauderdale, Fla.-based Iter was formed by attorney Dustin Robinson, founding partner at law firm Mr. Cannabis Law. He said he first became interested in making investments in the cannabis and psychedelics markets after meeting with entrepreneurs through his legal practice.

"I realized the industry had a tremendous need for deployment of capital," Mr. Robinson said. "A lot of these companies were looking to go through drug development or launch psychedelic-assisted therapy clinics. It really required tremendous amounts of capital."

Iter, which hasn't publicly disclosed the amount of capital it has available for deployment, has made two investments so far, including in Wesana Health Inc., which plans to list on the Canadian Securities Exchange through a reverse merger with Debut Diamonds Inc. Wesana focuses on the development and delivery of psychedelic and naturally sourced therapeutics to treat traumatic brain injury.