

Psychedelic Investing

Opportunity

- **1 in 6 Americans are on a psychiatric drug.** These drugs are not 100% effective, many have ugly side effects (SSRIs) and potential for abuse (Benzos).
- Growing body of evidence suggests that **psychedelic assisted therapy is effective at treating depression, anxiety, PTSD** and other conditions with minimal side effects.
- FDA has shown openness to psychedelics by granting breakthrough therapy designation to MDMA and Psilocybin.
- Legislation to decriminalize and legalize psychedelics has been successful in parts of the US and Canada.
- The psychedelic industry will require:
 - Clinical Research
 - Manufacturing and Testing
 - Therapist / Provider Training
 - Clinical Sites
 - Integration with broader mental healthcare
 - Dispensaries (if / when legalization occurs)

Commentary

- Between competition from non-profits, decriminalization/legalization, lack of patent protectability and the ability of doctors to prescribe off-label, **it is hard to imagine a company forming a real economic moat solely around a classic psychedelic drug.** Companies are responding to this reality by trying to create exclusive "value-adds" around psychedelics, including patent protectable manufacturing processes, alternative methods of drug delivery, trademarkable therapist certification programs, patenting the color and furniture of the trip room, and even building "trip companion apps". While some of these "value-adds" may be truly useful (unique manufacturing processes), many of them seem to be closer to patent games ("proprietary wall paint and furniture") and vaporware ("AI enabled trip companion apps"). Investors should generally be skeptical of companies claiming the ability to significantly enhance the psychedelic experience through some "proprietary technology/IP stack".
- A research company will eventually create a novel psychedelic that is as effective as "the classics", without the long trip time or hallucinations. **This will be a massive, protectable profit center.** This is 5 - 10 years away.
- For classic psychedelics, I believe that **micro-dosing programs have the most commercial potential.** While patients may be willing to go to the grey-market for a one-off macro trip, they would probably rather pick up a recurring monthly supply from a pharmacy. Microdosing requires more precise dosing and quality control than macrodosing does, giving pharma companies the upper hand. Microdosing also creates a recurring revenue stream, and creates an opportunity to gather patient data over the long term. Unfortunately, microdosing is further away from FDA approval than macrodosing.

Risks

- FDA approval is not guaranteed.
- LSD, Psilocybin and 18-MC are public domain molecules, **difficult to secure real IP protection.**
- Novel (i.e. patent-protectable) "second generation" psychedelics must start from the pre-clinical phase and are years away.
- Decriminalization and legalization will give patients cheaper alternatives to pharma psychedelics.
- With the exception of microdosing, most major clinical trials are for **non-recurring** use of psychedelics.
- Most psychedelic therapy programs involve 6 - 8 hours of being in a private room under the supervision of a therapist. **Inconvenient and expensive.**
- For-profit psychedelic companies face **competition from non-profits** like MAPS and Usona.
- There are many "serial entrepreneurs" looking to cash out on the "Shroom Boom" through low-quality IPOs/RTOs. **Buyer beware.**
- Due to concerns about drug-interactions, psychedelic therapies may be restricted to those who are not on SSRIs, limiting the potential market.
- Many people still hold negative views on psychedelics.
- Once a psychedelic is FDA approved for one condition, doctors can prescribe **off-label** for other conditions.

Speculative Timeline

- MAPS gets FDA approval for their breakthrough MDMA assisted therapy (currently in phase 3) by 2023.
- Legal Psilocybin assisted therapy begins being offered in Oregon under Measure 109 in 2023 / 2024.
- Compass Pathways and / or Usona will get FDA approval for their breakthrough psilocybin based therapies (currently in phase 2) around 2023 - 2025.
- Some company gets FDA approval for a psilocybin or LSD microdosing protocol by 2027. This could be MindMed.

Resources

- Psilocybin Alpha's clinical trial tracker
- The Psychedelic Investor on YouTube
- Psychedelic Stock Index
- Neuly (psychedelic industry data aggregator)

Notable Companies

- ATAI Life Sciences (private)
 - Has invested in ~10 companies researching psychedelics
- Compass Pathways (\$CMPS)
 - FDA breakthrough psilocybin therapy for TRD - Phase IIb
- MindMed (\$MMED)
 - 18-MC for addiction, microdose LSD for ADHD, macrodose LSD for anxiety, LSD neutralizer
- Field Trip Health (\$FTRP)
 - Operates Ketamine clinics, aims to expand into psilocybin
- Numinus Wellness (\$NUMI)
 - Canadian narcotics manufacturing, testing and clinics
- Click here for a more complete list of psychedelic companies

