

A close-up photograph of a cannabis plant. The top part of the image shows a dense, green, and purple-tinged bud with many trichomes. Below it, several large, serrated leaves are visible, some showing a reddish-pink hue. The background is dark and out of focus.

A catch up with...

An expert view of the
Cannabis sector.



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Foreword

Cannabis is an exciting breakthrough industry on the London Capital Markets.

To better grasp the opportunities offered by this poorly understood but hugely promising sector, PKF spoke to four leaders from four different-facing cannabis businesses to bring you their perspectives and insight on the burgeoning industry, in the first of a new series of quarterly publications taking an inside look at the market.

The aim of the series: "A catch up with...", is to promote a greater understanding of the current market through a series of interviews with respected industry leaders to find out more about them, their company, their views on the market and the challenges they might face in the next phase of their business journey. Each publication will examine a single industry from the viewpoints of different business directors and founders operating within the sector to provide a rare and insightful overview.

The first in the series focuses on medical cannabis, the use of which is legal in over 50 countries, including the UK, Canada, Australia, Germany and over half of the US States, to varying degrees.


Demand for medical and wellness cannabis products is increasing steadily as positive real life experiences, and evidence from a variety of trials, is convincing a greater number of medical practitioners, health authorities and the general public about their efficacy. As a result, the global medicinal cannabis industry is currently estimated to be worth £16.5 billion, reaching to over £55 billion by 2027.

In this edition, we speak to Nick Tulloch, CEO and Founder of Voyager who explains the company's unusual reason for seeking a listing; Roby Zomer, CEO and Managing Director of MGC Pharmaceuticals on what it was like to be the first company in the industry to IPO on the London Stock Exchange; Davinder Rai, Vice President of Hellenic Dynamics who shares his personal inspiration for starting the company; and Ed McDermott, CEO of SEED Innovations, who explains the credentials SEED looks for before investing in a company.

Thank you to our contributors for sharing their individual experiences in our launch edition. We would [welcome your suggestions](#) for industries to profile in future issues.




 **2018**
The UK legalises medical cannabis

 **77%**
of Brits support Government Policy of legalising some medicinal cannabis products in 2019

Source: Statista

 **2020**
European Court of Justice rules CBD is not a narcotic substance

 **Sept 2020**
FCA announced that Medical Cannabis and CBD companies that are based in the UK would be eligible to list on the LSE assuming that the company has the proper Home Office Licences.

 The European cannabis market will be worth **€403.4m** by the end of 2021

Source: Prohibition Partners

“We grew faster than we expected, and it just seemed right to take the opportunity to move quickly to a listing.”



Nick Tulloch
Chief Executive Officer and Founder of Voyager

“Will it make me high?”

A catch-up with...
Nick Tulloch

Voyager CBD listed on the Aquis Stock Exchange Growth Market in June this year, a scant six months after it was founded in November 2020 – that’s ambitious growth by any measure. But the company had an unusual reason for seeking a listing; rather than a cash injection, it was looking for a stamp of quality to distinguish its brand from other companies making cannabis-based products. The result has been dramatic.

Cannabidiol, or CBD from the cannabis or hemp plant, is the main ingredient in many of Voyager’s health and wellbeing products, such as bath salts, body scrubs, fruit flavoured gummies, oils and pet products, which it sells online through third-party resellers such as Amazon and e-Bay, other people’s stores and from its own shop (soon to be shops).

“Our strength is in branding CBD formulations, which we believe is the highest margin part of the cannabis product business,” explains Nick. “We want to become the trusted, high-quality market leader. Branding is especially important when dealing with cannabis about which people are

inherently suspicious: the most common question we still get asked is: ‘will this product make me high?’. We know it’s going to be a long journey, but we want people to be confident that when they buy a Voyager product, not only is it well made, tastes nice, smells nice, and does what it claims, but that it’s also fully compliant with all the regulations, not just those relating to cannabis and hemp, but UK labelling and food requirements, too. That’s our target.”

Before joining Voyager Nick was a corporate finance lawyer, so it’s no surprise that one of the first things he did when Voyager started was a crowd funding campaign on Seedrs in February 2021 with the stated ambition of achieving an IPO. “The whole cannabis sector was running hot in the first half of the year,” explains Nick. “We raised money on four occasions – it was a bit of a rollercoaster ride! We raised more money than we planned, we grew faster than we expected, and it just seemed right to take the opportunity to move quickly to a listing.”

The smallest fund raise was the IPO. “We wanted to list to gain a big stamp of quality and it worked. It makes a noticeable difference when talking to stores or distributors that are considering our products. The fact that we are listed gives them confidence that we’re going to be cautious about the quality of our brand and the efficacy of our products and it separates us from the vast

“The growth in the CBD products market is around 30% per annum.”

majority of other companies in the CBD sector in terms of trust and credibility,” says Nick. “Oddly, we probably get more benefit as a result of listing from our customers than we do from the investment community.”

The impact of the IPO has been dramatic. At the end of May, almost 100 percent of Voyager’s revenue came from online sales, either through its own website or that of third parties. By the end of September, online sales had fallen to roughly a tenth of the company’s overall revenue – not because online sales had fallen, but because sales through other revenue streams had sling-shot passed them. Voyager products are now available from 77 stores. It has opened its own

store in St. Andrews, and will soon open further stores in Edinburgh and Dundee. At the end of May the company had five employees, it has now just recruited its thirteenth member of staff and by the end of the year will have over 20 employees. “Listing has given us that springboard to really accelerate the business,” says Nick.

The next wave of stores is likely to be in England, targeting London boroughs like Islington and Fulham, towns like Oxford and Brighton, and big cities like Manchester. “We have no ambition to be the next Holland & Barrett with a store in every town,” explains Nick. “A mature portfolio will be 10-15 flagship stores. The real growth will come from our expanding network of third party stores.”

Acceptance is key to growth and is changing extremely fast. Nick explains: “The growth in the CBD products market is around 30% per annum across all age groups, slightly faster in the younger age groups, slightly slower in the older age groups. Many people still see CBD products as a cannabis substitute and we want to change that perception - we’re selling health and wellness products, not aiming to get people high!”

Old-fashioned branding and marketing is making the difference. “The biggest thing that’s missing in the CBD market at the moment is information and we’re trying to correct that. It’s also one of the things that we think we’re doing differently to other companies in the market,” says Nick.

“You can buy CBD products off-the-shelf in high-street pharmacies and health stores, nicely packaged but with very little information to distinguish them from competing products or to help you choose one product over another,”



Voyager was founded by Nick Tulloch and incorporated in November 2020 as a health and wellness business focused on CBD and hemp seed oil products



Voyager became the first multi-product CBD company to complete a crowdfunding campaign in the UK, raising £874,000

“The pandemic has had an effect, to an extent: if you Google ‘will CBD cure covid’, it’s surprising how many hits you get”

explains Nick. “We help our customers whether online, trade or in-person in the shop, by giving them point of sale material: posters and information leaflets that customers can pick-up and walk away with. It’s not unusual to see a customer take a leaflet, leave, and then come back an hour later to place an order.

“We also provide staff training to stores that stock our products. It’s a good investment for us to provide that in-person point of sales support. Bridging the information gap means that through-sales are higher because members of staff feel confident about selling a product.”

While acceptance is a hurdle, Nick says it’s not the biggest obstacle facing the industry. “The biggest single risk to the industry is the industry itself. The unfortunate fact is that there are a number of products on the market which are either very low quality, perhaps because they don’t have enough CBD in them to be effective, or worse still, are manufactured to illegal formulations.

“UK legislation around CBD is largely cannabis related and is generally tested on the quantity of THC – the component that makes you high - within a product. While we take all the THC out, its not obligatory. UK law will tolerate a residual amount of THC, but some products simply contain too much. If the first two or three products people try either don’t work or get them stoned, then the growing interest and acceptance of CBD will evaporate pretty fast.”

The industry needs more regulation and more enforcement, says Nick. “Without better quality products that are enforced by regulations, we run the risk that low quality products will undermine all the work that we, and other good quality CBD companies, have put in to building confidence in the industry. People may start to think the industry is a sham and that we’re all just selling snake oil,” he adds.

That said, Nick is extremely positive about the future. “The general mood towards CBD is improving all the time,” he says. “It’s becoming a very fast growth area. The pandemic has had an effect, to an extent: if you Google ‘will CBD cure covid’, it’s surprising how many hits you get, many of them not based on science. But what has been scientifically demonstrated is the benefits of CBD on mental health: it can be very good for anxiety, for helping people to sleep, and helping people deal with stress, conditions which have increased considerably over the last 18 months.

“While some of our competitors are their own worst enemy, that has actually created an opportunity for good quality companies like Voyager, to demonstrate that CBD can be a mainstream product, it can be made to a uniform and trustworthy standard, properly labelled and most important of all effective. I genuinely believe that CBD products can have a positive influence on many people’s lives.”



“Our emphasis is on creating affordable, standardised medicines by combining cutting-edge technology with traditional medicines to improve the effectiveness of natural treatments, and ensure standardised plant based medicines that are cost effective”



Roby Zomer
CEO and Managing Director of MGC Pharmaceuticals

“Don't stop believing”

A catch-up with...
Roby Zomer

If you are passionate about something and truly believe in it, then don't give-up, advises Roby Zomer, CEO and Managing Director of MGC Pharmaceuticals, which became the first ever company in the medical cannabis market to IPO on the London Stock Exchange in February, 2021.

Achieving this milestone was not easy. “It took over two years of hard work, particularly to overcome the educational hurdles in dialogue with the FCA and the UK Listing Authority, to get to that moment”, says Roby, but he didn't give in. He describes the experience of pioneering this route as both “challenging and satisfying”. Following his lead, three more companies working in various parts of the cannabis industry have since listed.

The emerging cannabis-based products industry can be roughly divided into four main sectors: the recreational market which, while most well-known, is illegal in the vast majority of countries; lifestyle and wellbeing products based on CBD, hemp or other cannabis plant derivatives; the medicinal cannabis market where patients receive cannabis on prescription, usually in the form of flowers, oils or tinctures; and pharmaceutical cannabis where companies invest in research, conduct clinical studies, build a dossier of evidence, and submit medicines created

to registered formulations for regulatory approval, in the same way as any other pharmaceutical company, such as Pfizer and Merck. This is where MGC sits.

MGC Pharmaceuticals Limited, which is listed on both the London and Australian stock markets, is a biopharma company that uses phytocannabinoids and other plant derivatives to create new medicines. It currently has three products undergoing clinical studies at different stages.

CannEpil, an epilepsy treatment, is in Phase IIb clinical trials in Israel and is approved for the early patient access scheme in Australia, UK and Ireland. CogniCann, which aims to improve the quality of life for dementia and alzheimers patients, is in Phase II



MGC was the first company to bring a cannabis-based product to market and sell its medicines in the country



MGC was the first company to import cannabis-based medication to Brazil



It's epilepsy treatment is the first to be approved by the Irish health authorities



One of the first companies in Europe to achieve an EU GMP to conduct clinical studies



studies in Australia; and CimetrA, which prevents and treats the symptoms of Covid-19 (but will also benefit other immune therapies), entered Phase III clinical trials this year and has been submitted to drug agencies in India for emergency approval. In September, AMC Holdings ordered an initial 1000 units of CimetrA for analysis in order to fast track the approvals process in the USA.

Roby says: “Our emphasis is on creating affordable, standardised medicines by combining cutting-edge technology with traditional medicines to improve the effectiveness of natural treatments, and ensure standardised plant based medicines that are cost effective.”

The landmark London market listing is not the first time that Roby and MGC have been cast in the role of pioneer. The company has a history of breaking new ground.

“We are only scratching one percent of the potential market.”

Although it was the second company in the cannabis industry to list on the Australian stock exchange, it was the first to bring a cannabis-based product to market and sell its medicines in the country. MGC was the first company to import cannabis-based medication to Brazil. Its epilepsy treatment was the first to be approved by the Irish health authorities to be covered under the country's national health insurance, and it was one of the first companies in Europe to achieve an EU GMP to conduct clinical studies.

“It is important to be a pioneer in our market segment,” says Roby. “Not only do we like the challenge of overcoming obstacles, but being a pioneer definitely helps our share price and brings us additional exposure to institutional investment, which drives us onwards and upwards.”

An early and unusual challenge that Roby overcame was moving from a career as a sound engineer in the music industry to leading a pharmaceutical company. He credits his wife for inspiring him and opening his eyes to the potential of medicinal cannabis.

“It wasn't a difficult transition – I had a good teacher!” he says. “I was a radio engineer working for the Israeli Broadcast Authority, before moving into the biofuels industry. At the time, my wife had a cannabis company based on her being a long time proponent and practitioner of herbal therapies. When we got pregnant and she went on maternity leave, a couple of friends asked me to join them in a cannabis venture. She had the tools and the time to help me translate my music industry and biofuels experience into the cannabis industry, and provide the insight on the potential of cannabis based treatments.”

“There are a surprising number of similarities,” he explains. “It's all about going with the flow without bypassing certain steps. For example, as a sound engineer, you can't connect a microphone directly to a speaker and expect it to work, you need an amplifier in the middle. A little understanding of music, engineering and a good home education helped me to bridge the knowledge gap and take-up this challenge. I'm learning on my feet everyday.”

Looking to the future, the biggest challenge facing MGC and the medical cannabis sector as a whole, is further acceptance. “This is the main hurdle to future growth,” explains Roby. “Entering into a dialogue with health authorities around the world, getting acceptance for our products so that we can present the results of our studies to move to the next phases, and to get emergency approvals for our medicines. But I'm optimistic,” he adds.



“There's still a lot of work to do, but that means there's a lot of prosperity to come. I'm quietly confident.”

Covid-19 has oiled the cogs. “The pandemic has had a bigger impact on the pharma sector than just making companies attractive to financial market investors. It has opened minds to the potential of new breakthrough medicines and accelerated innovation,” says Roby.

“Before the pandemic, it was hard to get advocacy to present our medicines to drug agencies, health ministers or doctors. Our products use cumin, tumeric, frankinsense – ingredients that you can find in the Bible, but not in modern medicine! Yet, we are proposing a medicine including such ingredients to treat the worst pandemic in the last 100 years.”

“As a result, MCG now sits alongside companies such as Pfizer and Merck with products going through the same stages of clinical trials and with better results.”

“We are only scratching one percent of the potential market,” claims Roby. “The market is going to get bigger and bigger as more evidence comes through, more research is published, and doctors feel confident and comfortable prescribing the medicine. In the UK alone it is already a multimillion pound market, but it's going to be a billion pound market.”

The potential for significant and rapid future growth presents an exciting opportunity for investors looking to diversify their investment away from traditional industries which may be suffering a slow-down as we move on from the pandemic. “There's still a lot of work to do,” says Roby, “but that means there's a lot of prosperity to come. I'm quietly confident”, he adds understatedly.



“We’re not just creating something that we feel we can sell. If we can produce the very best quality products that are exactly as per patient requirements, the revenues will come.”



Davinder Rai
Vice President, Hellenic Dynamics

Founded in 2018, Hellenic Dynamics is a licensed cultivator and supplier of finished pharmaceutical standard medical cannabis products operating from a dedicated 200,000sq m facility in Northern Greece. The company is specifically involved in the cultivation, production and export of tetrahydrocannabinol (“THC”) dominant strains of dried medical cannabis flowers and flower extracts to the growing medical cannabis markets across Europe.

“What makes our offering unique is that we have a THC cultivation license, of which there are very, very few in Europe, even fewer that allow export,” says Davinder. “We’re working with the Greek government on cultivating, running efficacy trials and eventually registering specific strains of cannabis that have a distinct content of THC, Cannabidiol (CBD) and other cannabinoid elements that target particular conditions, with a focus on chronic pain. Registering specifically developed strains in Greece gives us Europe-wide intellectual property protection, so no other company can grow that strain. Nobody else is really looking at this at the moment and I think it gives us a genuinely unique selling point.”

Davinder selected Greece not only because it was issuing medical cannabis licenses for cultivation, but because it was one of only a small number of countries that ticked all the legislative boxes, in particular complying with the 1961 United Nations Single Convention on Narcotic Drugs. Furthermore, Greece provided us with one of the lowest costs of cultivation in Europe.

“We knew that wherever we were going to cultivate our Medical Cannabis there had to be really good access to wider Europe as well as a low cost of production,” explains Davinder. “It’s an incredibly expensive product to grow - it takes a lot of electricity and manpower. It’s also a temperamental plant, so to produce it at pharmaceutical quality requires an additional layer of personnel and quality control.”

Critically, the location needed to have exceptional levels of security, too. “We stumbled upon an ex-UN military facility in Northern Greece which had secure overground bunkers with metre-thick walls and was only 40 minutes from the nearest airport, with daily flights to all of the places where we want to sell our products. We picked the facility and then applied for the license. I think there’s something poetic about growing medical cannabis for treating pain in an old UN bunker,” he adds.

Like many people who enter the cannabis industry, Davinder became interested because of a family experience. “In 2015 my father was diagnosed with cancer and put on some nasty pain opioids which affected his appetite,” he explains. “This spurred me to look at alternatives. Once I started looking at the area, I realised there was far more to it than I had thought.” He spent a year travelling around Europe to every country that had a legal medical cannabis market, speaking to patients who had had access to medical cannabis: “It was a real eye-opener,” he says. “This product has been in prohibition for 80 years and has a huge stigma attached to it, but once you see it working, it’s incredible.”

“What makes our offering unique is that we have a THC cultivation license.”

But he believes attitudes to cannabis are changing rapidly.

“If I was asked what cannabis was ten years ago, I would have said that it was a drug. Now people think about it as a medicine – it’s spoken about on the morning radio, on TV and written about in national newspapers as a pharmaceutical product. It’s funny how quickly attitudes have changed to something that has followed human beings for the last 3000 years,” he says. “There’s a good reason why Henry VIII passed Acts of Parliament stipulating that one quarter of farmers’ land had to be used for hemp cultivation - it has so many different uses! It’s great to be at the precipice of turning something that was considered illicit into something that can help children with epilepsy, or people suffering with cancer. It’s really exciting,” he adds.

Putting patients first

Davinder Rai is proud to have built his business backwards. He started the Medical Cannabis cultivation and distribution company, Hellenic Dynamics by talking to patients, identifying what Medical Cannabis products were in demand, and working from there to establish what specific strains of cannabis to cultivate and what legislative requirements were needed to do so. He is now continuing this successful, backwards approach by reversing into a Cash shell on the LSE. The listing, which is imminent, will make Hellenic Dynamics the first and only pure play cannabis cultivator on the London market and in Europe.

“Lots of companies enter the cannabis market with revenues and cash at the forefront. We’ve done it slightly differently. We spent well over a year speaking to patients, doctors, pharmacists and lawyers, to find out what patients wanted and what was possible across different European jurisdictions, and then we worked backwards from there. We’re not just creating something that we feel we can sell. If we can produce the very best quality products that are exactly as per patient requirements, the revenues will come. We’re putting patients first and so far that approach has worked.”



If I was asked what cannabis was ten years ago, I would have said that it was a drug. Now people think about it as a medicine – it's spoken about on the morning radio, on TV and written about in national newspapers as a pharmaceutical product."

According to Davinder, getting acceptance from patients, the medical profession, and regulating authorities is key to the development and growth of the industry. "I was shocked to discover that the UK is, per capita, the largest prescriber of opioid medicines in the world. Yet a recent study showed that 90 percent of patients on opioid-based pain medication said it didn't work for them, and out of the 1.4 million people using opioid pain medication every day, half a million have issues with abuse or addiction. We need to get away from this medication," he says.

In the USA, States that allow medical cannabis, opioid prescriptions have fallen by upto 30 percent. "The UK government really needs to support this," says Davinder. "Since medical cannabis was legalised in the UK, only three patients have been able to access it via the NHS, however many thousands now access Medical Cannabis via private prescription."

However, Davinder believes the government is taking the right approach. "They're backing a research programme to prove that it works before they adopt it, and I think that we're very, very close to that moment." Project 2021, a UK-based research trial into medical cannabis, will publish its results in Spring 2022. "I believe that the results will show that medical cannabis is a far better alternative to opioid pain medication and I think that the NHS will get behind it,

not just because it's helping patients, but because it will save the NHS an absolute fortune," he predicts.

In March, 2020, Hellenic Dynamics started the process of reversing into a Cash shell. "We were looking for a shell company to reverse into for a number of reasons," explains Davinder. "The route to listing would be faster; shell companies already have cash within them; and we wanted to avoid a long-winded roadshow."

The company initially had no plans to list in the UK at all, but the LSE passed a ruling last year that opened the door to listing cannabis companies. Although a string of listings followed this change, there has not been a pure-play cultivator listing in Europe, yet.

"The FCA is rightly cautious," says Davinder. "After all, we are a company growing cannabis with a high THC content and then distributing it around Europe! Being the first cultivator on the LSE is quite something, but there's an awful lot of paperwork: we have to prove, belt and braces, that everything we're doing is licensed, legal, and that all the checks and balances are in place. I'm spending a considerable amount of time with lawyers," he says. By listing in the UK, any activity undertaken in Greece has to also be legal, not only in the UK, but in the various territories where the company operates as well. "I think the fact that we built our business backwards, by

focussing on patients' needs and looking at what was possible, rather than just starting to grow cannabis, has paid dividends," says Davinder. "We are carving our own path through this process, but we are pretty far down the road."

The market potential for medical cannabis is huge. A number of papers suggest that the European market will be twice that of North America. In Germany, patient numbers are doubling annually and across Europe, the market is expected to increase in value from around £1-2 billion today, to £37 billion by 2027 based on current adoption rates. "In my opinion, the UK will be a huge market by next year and grow rapidly," says Davinder.

However, this rapid growth will create some real challenges for the industry. "There is a lack of experienced people coming through," explains Davinder. "Being first, we've been incredibly lucky to be able to cherry-pick a strong team and partners, but as the sector evolves, finding experienced people is going to be increasingly difficult and gaining expertise is likely to have to happen on the job. There's going to be an incredible shortage of people such as geneticists, chemical engineers and agronomists with skills in the market," he predicts.

Davinder is very optimistic about the future and looking forward to completing the RTO. Notwithstanding the difficulties, he welcomes the LSE's and FCA's approach. He says: "I think the LSE wants cannabis companies to be on the exchange. I also think that, quite rightly, they are picking the right companies to come onto the market with the correct valuations. Understandably, the LSE doesn't want to see a boom, as happened in the USA, where companies are listed at ridiculous valuations based on hype, but with very little substance." He foresees that, by following this cautious approach, the London markets will become the cannabis hub of Europe.



Founded in 2018, Hellenic Dynamics is a fully licensed cultivator and supplier of finished pharmaceutical standard medical cannabis products.



Hellenic Dynamic's lead product is THC dominant dried medical cannabis flowers.



“Ultimately, it’s about investing in companies where we can add value, we don’t want to be passive investors, we want to be actively involved in the management team: lending our contacts and sharing our experience.”



Ed McDermott
CEO of SEED Innovations Ltd

Gatekeeper to the markets

Typically, founders and leaders of companies in the cannabis sector have had some kind of “come to Jesus” moment, usually resulting from a family illness or following some teenage recreational experimentation, that opens their eyes to the potential of the plant. That’s not the case for Ed McDermott. His interest in the sector was awakened while working in corporate finance in the USA. His experience of the North American cannabis market drives his conviction in the opportunities offered by the industry. When he took the helm at SEED, he applied that belief to the company’s investment strategy. This year it has turned a corner with more cannabis companies in its portfolio than any other type of investment – a significant step towards the goal of becoming a focussed cannabis fund.

“It was very obvious to me that there is great demand for cannabis products,” says Ed. “Frequently in America, I would see a cannabis dispensary on one side of the street with a queue out the door, and an off-license on the other with nobody in it,” says Ed. “People want to be able to use cannabis products in a legal setting without feeling like criminals, whether that be medicinal, recreational, or over the counter Cannabidiol (CBD) products.”

SEED is a Venture Capital fund based in Guernsey with an international portfolio including technology, biotech, blockchain and increasingly, a focus on the cannabinoid wellness and medical cannabis markets. It is also the only AIM-listed investment company with direct exposure to pharmaceutical and medical cannabis.

When Ed joined in 2018, he started the process of re-focussing investments away from a broad blend of legacy assets towards areas where the SEED team had real experience, namely highly regulated industries and the cannabis sector in particular. “Ultimately, it’s about investing in companies where we can add value,” says Ed. “We don’t want to be passive investors, we want to be actively involved in the management team: lending our contacts and sharing our experience.”

The team has a unique set of experience as some of the earliest investors in the legal cannabis market. A former investment banker, Ed has been a founder and operator of a cannabis company that sold for one of the highest valuations of any European company: EMMAC Life Sciences was sold to Canadian listed company, Curaleaf International in a deal worth over \$400m. Prior to that he was a very early stage investor in NuVera Health which sold to Aphria Inc., for \$800m.

“Collectively, across the cannabis space, two companies originated and founded by people within the SEED management team have gone on to sell for over \$1bn. We’ve been on the ground in multiple territories, including eight different territories across Europe, and have the best track record of any cannabis investment fund out there,” explains Ed. “We really understand the market.” This industry experience enables him to quickly spot poor companies, he says: “Any novel market is fraught with chancers. We very, very quickly smell the rats.”

Since new FCA guidance was published last year permitting cannabis companies to list, a small number have listed on the main London market and more are in the pipeline. “We saw an opportunity to make a quick return on our investments in a couple of the companies that have listed due to the excitement in the market,” says Ed, “but that’s not our preferred approach. We are seeing a lot of companies struggling to raise money privately, going public as a panacea, but listing won’t solve these problems, it will create a whole bunch of new ones,” he explains.

“Some companies think they’ll be able to spook the market into giving them a really high valuation and while that may have happened, management teams need to be a little less greedy and align their success with up-side, rather than just be paid for doing something logical and simple. Management teams need to start being a bit more realistic,” he adds.

While Ed acknowledges that the market is very difficult, highly regulated, and fast-growing, he says it is not growing anywhere near fast enough to justify multi-million pound valuations based on only half a million of revenue: “It’s just not acceptable. We’d rather build a company to a more robust, double-digit millions position before taking it to a listing. It’s in the industry and the investors’ interest that companies take their time, learn how to operate properly and find a way to raise money privately before going to a listing,” he says.

According to Ed, there are some good companies coming through in both the UK and, particularly, Germany: “I think next year we’ll see a number of potential listings from that geography,” he predicts. “The UK also has some good companies that are getting close to double-digit millions, but it’s a very competitive market, made all the more difficult in the medicinal cannabis market by having a Schedule 2 product that you can’t market to people. There’s a lot of hype around some of the CBD wellness product companies, but there’s a small percentage that look promising, if they can get their valuations to a sensible level and make sure that investors make money out of them,” he says.

“My concern, as a massive proponent of this market, is that bad companies come to market, ill-prepared, poorly managed, and that burn investors’ capital. Those investors won’t come back,” he adds. “I see myself as a bit of a gatekeeper to the market because I think that the protection of investors is critical. We want to make sure that investors don’t get burned



“The UK and the US are very different places. America has a much bigger pool of capital and a lot more retail investors. We don't have that in the UK, so we have to treat investors as very important commodities.”

because we believe in the sector over the next two, five and ten years. It's going to be one of significant growth – if it's done well.”

Ed draws the comparison with the USA: “The UK and the US are very different places. America has a much bigger pool of capital and a lot more retail investors. We don't have that in the UK, so we have to treat investors as very important commodities,” he says.

They celebrate capitalism far more than we do, too, according to Ed, whereas in the UK investor behaviour is a lot more conservative: “There's a reason why there are countless companies on Nasdaq with multiple billion dollar market caps that nobody has ever heard of. In the UK, if a company reaches that level, it's a household name!” Ed believes there is also a clear attitude difference: “In the UK, we're a lot less blue-sky focussed: we want to know exactly what the numbers are, we want to know exactly what the trajectory is. The US seems to celebrate innovation more than we do in the UK.”

Canada and the UK have their differences, too, but are more closely aligned. “The UK is where Canada was back in 2015!” says Ed. “People forget that Canada and the US started medical cannabis programmes many, many years ago, that only became globally recognised in the last three or four years. We're still a bit behind them and we have a different attitude socially and corporately which is going to keep us moving at a slightly slower pace, but there are learnings we can take from North America.”

Investors haven't had a lot of choice of companies to invest in so far in the UK, says Ed: “Hopefully we see a good number of offerings of sensible companies that offer a good spectrum of verticals across

the industry. Things are changing very positively but it will take time.”

“The UK is already a hub for medical cannabis. It is one of the largest markets in terms of number of active patients and there is a 30 to 70 percent month on month compound growth in prescription numbers, which is a nice, steady rate of growth,” he says, but there are still issues around access. “Patients can't get products through their GPs, nor are products supported by the NHS – it's a private market,” he explains. Ed believes positive change is still some way off: “For cannabis products to be seen as viable options will take real world evidence from patient studies, or full clinical trials for specific products,” he says.

“We're doing well on the medical side,” says Ed, “but we haven't really addressed a lot of the other potential verticals, such as hemp based businesses creating more industrial-use products like building materials, and clothes etc.”

“There are bubbles in the market, then things get sensible again, then there's a catalyst and there are many, many catalysts yet to come that will take companies from an embryonic stage through to a Pfizer or Diageo. The market will really take-off once we start to see major brands in this space. But the business case has to work for the specific vertical market whether it is nutraceutical, pharmaceutical, CBD wellness brand or hemp-based products,” says Ed. “It's very clear the direction the industry's going to go, it's just a case of operators doing the right thing and investors getting in at the right price.”

However, there are still some significant challenges. “It may be controversial, and not what people want to hear, but I think the industry often gets in its own way: it's not outside forces making life difficult for the industry, it's the industry itself,” says Ed. “One of those issues is greedy management teams after crazy returns on the often limited capital that they've put into the business,” he says.

“From a patient perspective, we as an industry need to make sure that products are top, consistent quality and make sure that they are as cheap as humanly possible. The only way to do that is to create a supply chain that has efficiencies and isn't full of middlemen all trying to grasp their share. The sooner we can get rid of lots of middlemen and have more of a vertical strategy, the better,” says Ed. “Each vertical of the supply chain needs to do things the right way. For example, cultivation needs to be done in a cheap location that's consistent and goes through all of the right quality controls.”

Other challenges include regulation: The UK regulatory framework is still evolving: “There are some more nuances within the regulatory framework which could do with shifting a bit,” says Ed, “but we are talking with policy makers and regulators all the time as well. They are open to suggestions and a lot of challenges are easy fixes, but it just takes more time than the industry-side would like.”

All the makings are there for a really good industry, but the challenges will take time, according to Ed. “The onus is on us to prove to the regulators and policy makers that we are operating in the best way we can and that's how we'll gain trust from all the different parties that add-up to a significant industry,” he says.

Ed believes it's really important that corporate advisers understand cannabis companies and the regulations that govern them, as much as possible. “I would encourage all advisors to really learn, in-depth, what a medical cannabis business looks like versus an over the counter CBD business,” he recommends. “In the gaming industry for example, you have banks, broking houses, firms of accountants and law firms that really

specialise in the industry and that's what we'd like to see, although we understand it takes time to build,” he explains.

“It's all of our job to make sure that investors are as well placed as they possibly can be in this industry, because if we're not able

“It's all of our job to make sure that investors are as well placed as they possibly can be in this industry.”

to deliver returns because we don't totally understand it, and we let poor companies onto the market because we haven't spotted things that we should have, that's on us,” says Ed. “We as an industry, collectively as financiers, as lawyers, as accountants, we all have a responsibility to make sure that these companies are fit for purpose and will stand the test of time.”



SEED Innovations is the only AIM-listed investment company with direct exposure to pharmaceutical and medical cannabis



Two companies originated and founded by people within the SEED management team have gone on to sell for over \$1bn

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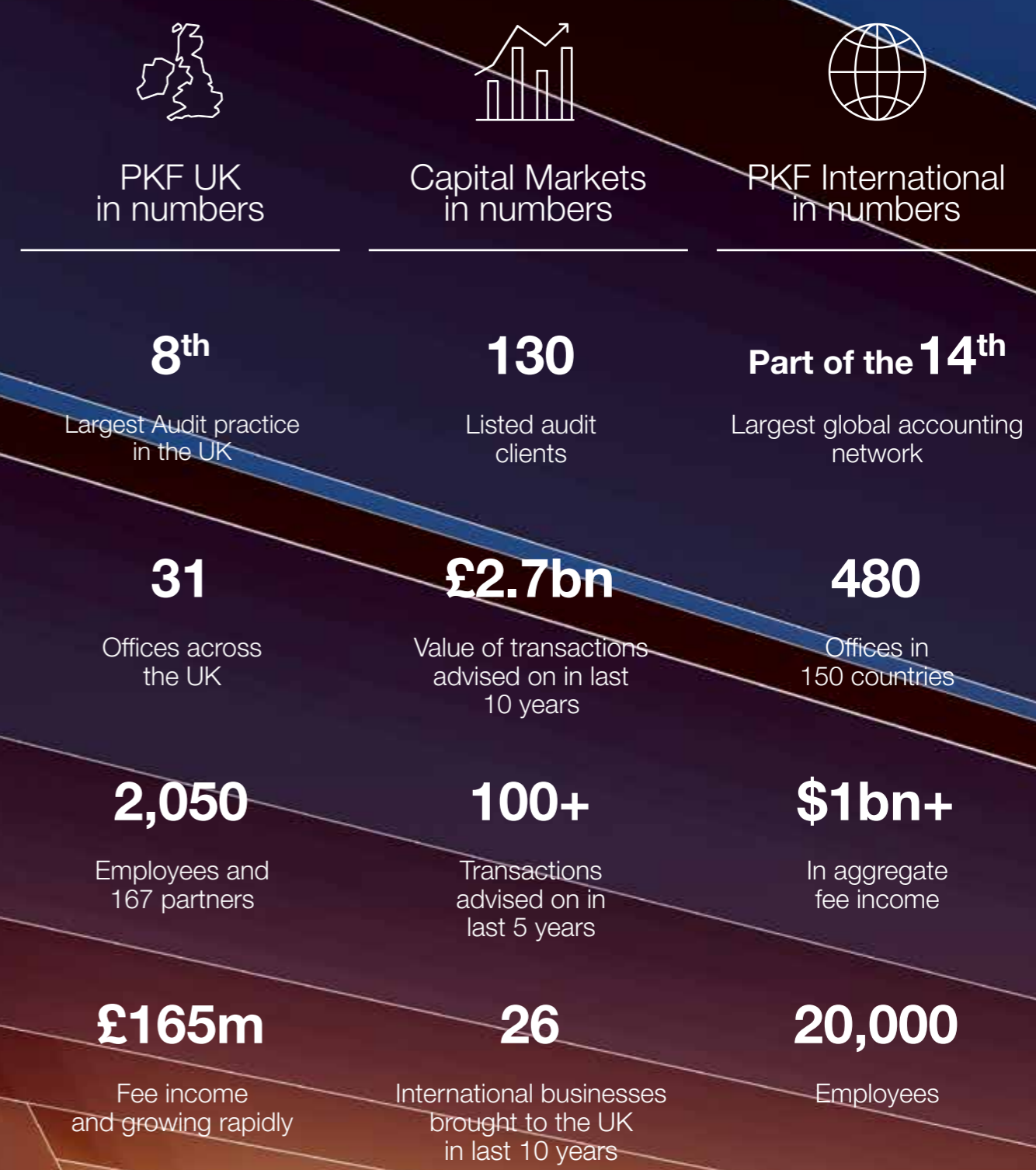
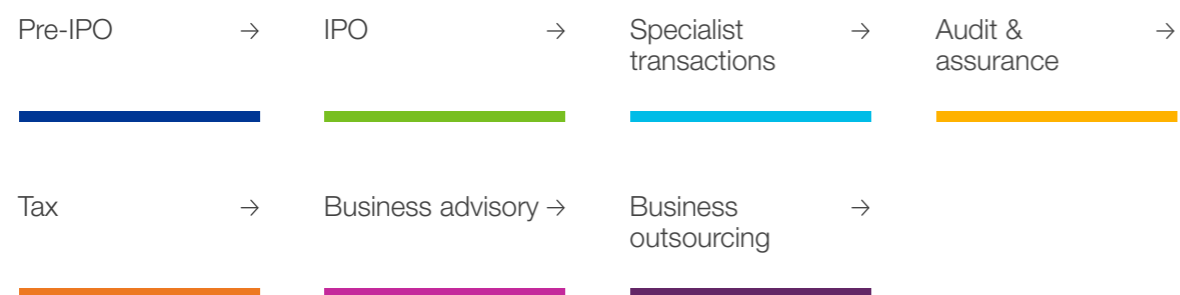


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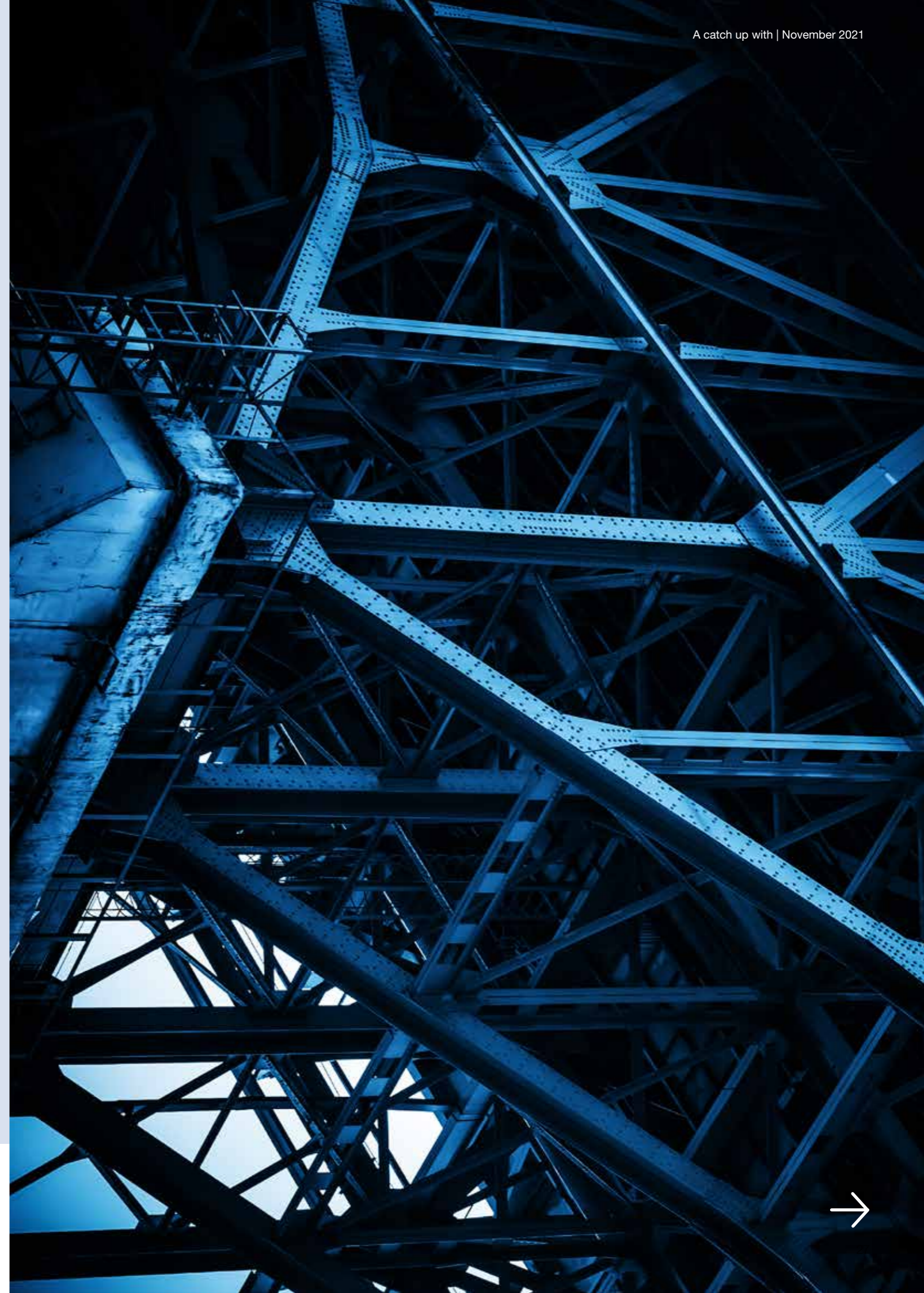
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