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# The European Cannabis Investment Ecosystem



HANNAM&PARTNERS



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A first of its kind report driven by data, interviews, and case studies, revealing the current deals and investment landscape of the cannabis sector in Europe.

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# Methodology

**Multiple data sources have been used to corroborate our insights into the European Cannabis Investment Ecosystem.**

## DATA

The primary data set is Crunchbase's database, downloaded through an API between 11th and 20th June 2021. Crunchbase data has been checked for missing values and inconsistencies by Hanway Associates. Our data comes from publicly available reported information, which is unable to give a full picture of all deals in the space as many private transactions are not reported publicly.

Crunchbase's database gives the most accurate overview of the European cannabis deals landscape from publicly available data. Crunchbase collects all publicly available data on the internet in relation to investment, M&A, IPO and funding deals ("Deals"). Crunchbase also receives monthly portfolio update submissions from more than 3,500 global investment firms and sources data from active community contributors, with data often directly added to the platform by startup founders and investors.

Every graphic included in this report, unless otherwise stated, has been produced from Hanway analysis of all time Crunchbase data for cannabis deals downloaded through an API between 11th and 20th June 2021, dating back to 2008.

## INSIGHTS

Hanway's analysis was informed by interviews conducted with over 50 specialists, including the leadership of cannabis companies involved in notable deals, regional legal experts, stock exchanges, investment banks, venture capital funds, state-linked agencies, financial advisors, and crowdfunding platforms. Hanway also utilised its internal database and performed extensive desk research.



**Since 2014, investors have put over \$5 billion in known venture capital into cannabis-related companies globally. Although funding seems to have peaked in 2019, Crunchbase data indicates that 2021 venture investment in the cannabis industry is rebounding after a decline in 2020. As cannabis continues to be legalized, it is expected that investments will increase overall in the years to come."**

**GENE TEARÉ, CRUNCHBASE**

## DISCLAIMER

This analysis should not be relied upon for investment purposes.

Our research methodology was designed to capture a snapshot of the investment landscape in the European cannabis sector rather than an attempt to place a size on the entire market or to create an exhaustive list of deals.

Currencies have been converted from originally reported values into euros (€). Conversion rates are subject to variation.

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# Executive Summary

**The ebb and flow of capital into the European cannabis sector is both fascinating and turbulent. The continent has bobbed along in the wake of its relatives across the Atlantic, unsure of its role in the global sector.**

Until recently, a relatively small number of European companies had raised large amounts of investment. Those who did, benefited from inquisitive North American cannabis-specific investment funds that saw Europe as ‘the next big opportunity’.

Now, European investors have woken up to the opportunity, creating a far healthier capital ecosystem for companies looking to raise money.

To give some sense of Europe’s timeline for development, one could look at its cannabis sector through the lense of the North American cannabis markets. While not a perfect analogy for many political and cultural reasons, there are many similarities.

Canadian entrepreneurs had a head start, helped in a large part by the ease of access to capital available through the public markets. Small, ‘growth’ exchanges, like the CSE and the TSX in Toronto, with manageable compliance criteria brought a raft of companies to the attention of retail investors. These exchanges became focal points for the industry across the continent.

The appearance of entrepreneurial hubs in Europe can also be closely mapped with early public market access. Stockholm and Copenhagen led the way with their NASDAQ Nordic exchanges while the LSE in London

opened its doors to cannabis companies in 2021, inducing a slew of highly anticipated IPOs. This is one of the biggest catalysts for the industry in Europe. These act as pressure release valves for pent up retail investor excitement.

In the US, fundraising was driven by the unlocking of new markets in new states, as investors looked to repeat their success, or not miss out again. The US still has restrictions on publicly listing multi-state operating cannabis companies, but huge amounts of private capital has been raised just on the perceived potential of new markets and further legalisation within existing ones.

In Europe we are seeing similar private investment trends. A company’s footprint (their infrastructure, assets, customers) is everything – as international operators look to acquire their way into highly anticipated markets. With the Netherlands and Switzerland both implementing legal recreational cannabis cultivation and retail programmes, Europe is beginning to feel a lot like the US in 2013 when Colorado and Washington were the first states to ‘go rec’.

Growing momentum is clearly visible in the deal size and frequency we’re seeing. There is an increasing number of mainstream and technology VCs now active in the space, backing

scalable cannabis platforms and consumer-first brands. The appearance of notable public figures and celebrities on cap tables is a trend we expect to see more of.

Transatlantic M&A activity is creating major forces to be reckoned with, as US and Canadian giants consolidate their European assets or acquire early moving European players with established footprints. Local growth and global expansion are combining to create larger deals.

This mainstreaming is compounded by major FMCG companies from nicotine and other vice industries taking the plunge into the sector – navigating complicated regulatory environments with conservative shareholders and complex legal structures.

We are still very much in the early stages of this industry as cannabis moves towards a globalised product. To see such a thriving investment landscape at this stage is extremely promising.

We hope this report helps you see the potential that we can see.

**Alastair Moore**  
*Co-Founder, Hanway Associates  
and First Wednesdays*

# Key Findings

- A thriving, innovative and profitable cannabis sector has solidified its presence in Europe. Medical and pharmaceutical sectors represent over 50% of European cannabis deals activity, while wellness deals make up almost 40% of activity.
- Cannabis capital is now coming from Europeans, following a shaky pre-pandemic fundraising landscape after North American capital markets imploded.
- The UK is becoming a hub for cannabis investment as multinational companies enter the sector, retail investors flock to crowdfunding sites and the London Stock Exchange opens up for cannabis startups.
- Scandinavia was home to many of the early IPOs in the European cannabis space due to their high growth exchanges and investor appetite for 'riskier' investments.
- Since the crowdfunding platform Seedrs opened their doors to cannabis companies in 2021, 100% of their cannabis campaigns have been successful, with companies raising over €6.32 million to date.
- Blue chip corporations are derisking the sector for competitors following in their footsteps, through major M&A activity such as Jazz Pharmaceuticals' €6.1 billion acquisition of GW Pharmaceuticals in May 2021.
- We see signs the investment landscape is maturing as venture capital makes up the majority of European cannabis investment, and angel investors and HNWs begin to be priced out of the market.
- Mainstream VC funds are now actively watching the space, and high profile investors are now a common feature on the cap tables of European cannabis startups - including will.i.am, Anthony Joshua and David Beckham.



**Lily Temperton**  
*Lead Author Consultant  
at Hanway Associates*

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*Lead Creative Production  
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**It has been a pleasure to produce the European Cannabis Investment Ecosystem and to share our insights into the dynamic financial sector with you.**

**Having the opportunity to visually conceptualise and represent the vibrant ecosystem we see developing before us daily in the European cannabis sector has been incredibly rewarding.**

**We would like to thank our partners, Crunchbase, DLA Piper, Enexis and Hannam & Partners for their support, and the many industry experts who spoke with us to inform our analysis.**

**We hope you enjoy diving into our findings as much as we enjoyed uncovering them.**

1.2B  
EUROS

7.6B  
USD

42.1%

116%



# Deal Analysis

€37.5M

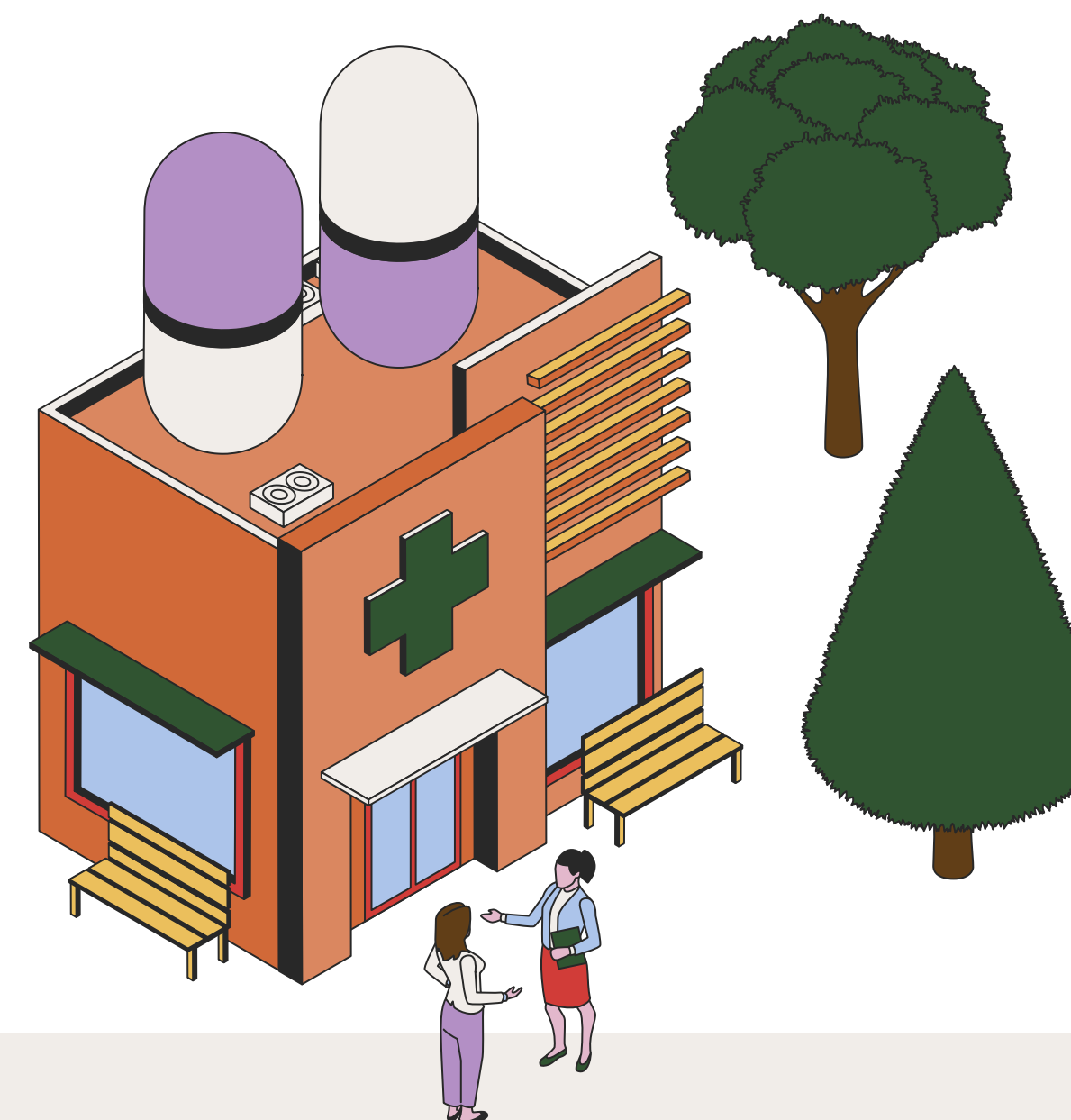
Largest raise in a single round into a European cannabis company in 2021



# No1 Major Pharma Exit

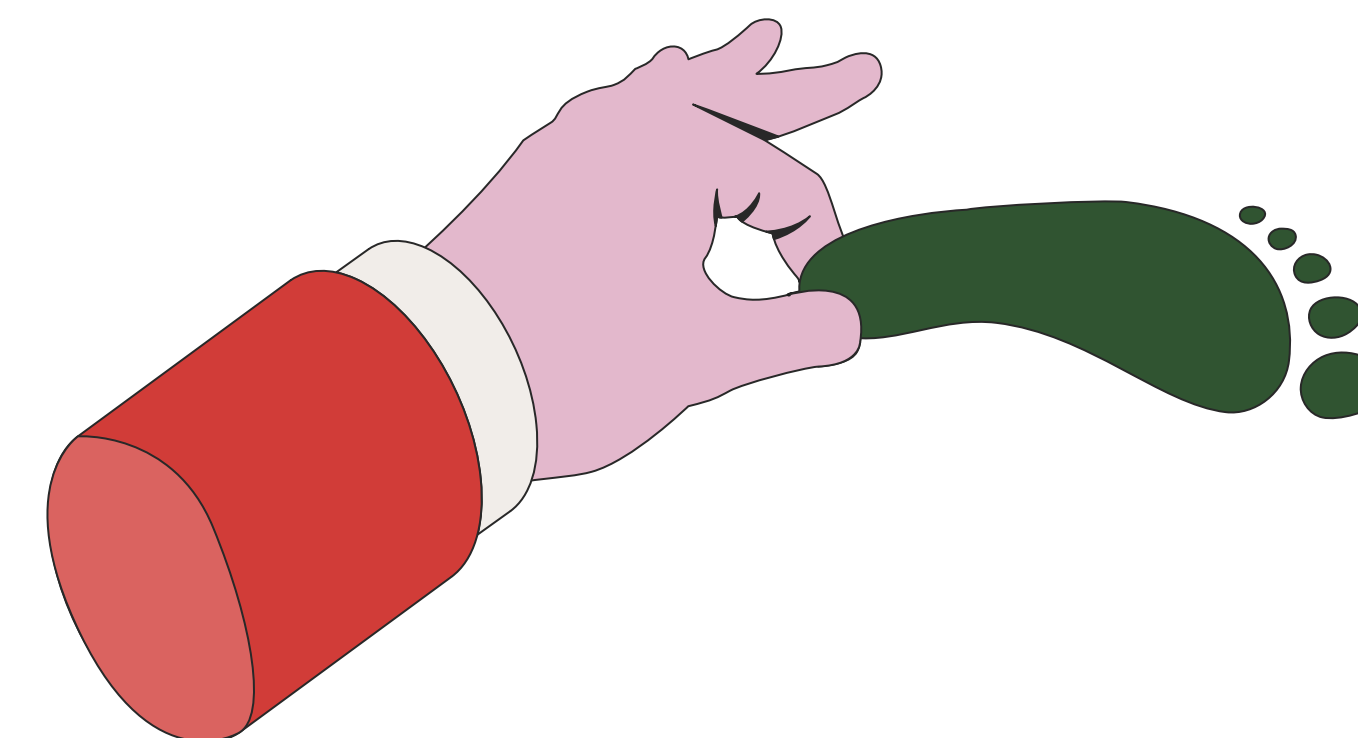
## DEAL INFORMATION

- The British pharmaceuticals company GW Pharmaceuticals was acquired at a 50% premium to its previous closing price by Nasdaq-listed Irish bio-pharma company Jazz Pharmaceuticals in May 2021.
  - The €6.1 billion transaction, the largest cannabis deal to date, demonstrated the potential for big pharma exits and the industry's maturation.
  - GW was the first cannabis company to IPO in Europe, originally listing on the AIM exchange in 2001 before uplisting to NASDAQ in 2013.
- Jazz gains access to a new revenue stream through the first and only FDA approved cannabis pharmaceutical, Epidyolex - contributing €430.8 million out of GW's €444.9 million 2020 revenues.
  - Jazz specialises in drug development for neuroscience and oncology. The acquisition gives it a catalyst to expand research focus and gain the IP for GW's drugs in development.
  - Goldman Sachs & Co. LLC and Centerview Partners LLC acted on behalf of the target.



- The acquisition of GW has implications on the rest of the market, and de-risked the sector for other pharmaceutical companies to follow in their steps through M&A activity.
- The deal evidenced that clinical data and approved medical products are worth investing into, and highlights the value of creating licenced condition-specific cannabinoid pharmaceuticals.
- GW's 20-year journey from a small British biotech receiving their cultivation licence in 1998 demonstrates the long horizons involved when playing in the pharmaceutical space.
- The deal provides confidence that significant R&D expenditure can pay off - in 2020, GW's total R&D spend accounted for 1,349.9% of its total revenue for the year.
- GW has achieved such large revenues for a medical cannabis company by targeting the US healthcare market with Epidyolex, making it the only European medical cannabis company with a presence in the US.
- How a small biotech company, focussed on plant based medicines, managed to hit so many sector-defining milestones over a decade before their competitors is almost beyond comprehension. One thing that is clear is that there is a prize for early movers.

# No2 Footprint & Anticipation



## DEAL INFORMATION

- In March 2021, the largest US multi-state operator (MSO) Curaleaf acquired a complete European strategy for 2.8% of its market cap according to the MSO's Chairman.
- Curaleaf acquired EMMAC Life Sciences, the leading vertically integrated multinational European cannabis company for €328.9 million in cash and stock. EMMAC will be renamed Curaleaf International.

- Total consideration included approximately €42.4 million in cash and 17.5 million shares of Curaleaf, with additional performance based awards.
- Curaleaf raised €110.2 million from a single strategic institutional investor directly into Curaleaf International in exchange for a 31.5% stake. The cash raised financed the cash element of the sales consideration and an additional €67.8m for capital expenditure through 2022.
- EMMAC completed multiple raises before its acquisition, including a seed round, Series A, and two convertible loans.



**The investment gives us the chance to accelerate our growth in the European market, both in currently operational and new markets. It also gives us the ability to do more M&A activity in due course.**

**ANTONIO COSTANZO, CURALEAF INTERNATIONAL**

## Hanway Analysis

- Curaleaf is the first US MSO to meaningfully enter the European market, and acquired a strong European footprint - EMMAC was a turnkey solution for a fully licenced, operational European strategy.
- The deal appears to be in anticipation of future adult-use markets, with Europe on the verge of further reform. The acquisition coincided with significant excitement around progress in Switzerland and the Netherlands.
- Operating in Europe is a capital light model compared to operating across a similar geography in America, due to the MSO setup requiring replication of assets for each state.
- The acquisition evidences the strong value of having an investor ecosystem, with EMMAC championed early on by the AIM-listed fund Seed Innovations (formerly FastForward Innovations).
- We expect to see more deals that fit this mould in the next 12 months.

# No3 Specialised Operations

## DEAL INFORMATION

- The Canadian licenced producer Canopy Growth opted for a tailor-made, mix-and-match strategy by making a number of strategic acquisitions to further and expand its operations across multiple European nations.
- Canopy acquired the market leaders in dronabinol production C<sup>3</sup> for €225.9 million in May 2019, one of the largest European deals at the time and over seven times C<sup>3</sup>'s 2018 global revenues of €27 million.
- Later that month, Canopy acquired the British cosmetics and natural wellness

brand ThisWorks for €50.6 million, seeing promise in adding cannabinoids to its successful formulations.

- In December 2018 Storz & Bickel was acquired by Canopy for €145 million, having developed the first vaporiser in Europe with medical device accreditation while garnering high regard among adult-use consumers.
- Canopy has recently refined its focus and divested other European assets, including the sale of its Danish facility to Little Green Pharma.



**We've made lots of acquisitions over the years with the view to expand. Our purpose of being is to unleash the power of cannabis, so every acquisition is made with that in mind. We have a clear purpose and take Europe very seriously, and want to work with companies who understand the goal of what we're trying to do. We are here for the long run as we believe there are patients that need good quality products and consistent supply.**

PAUL STECKLER, CANOPY GROWTH

## Hanway Analysis

- Canopy Growth has been criticised in the past for its extravagant deal making and international expansion strategy, but these three deals demonstrate a keen understanding of European market dynamics.
- Dronabinol has strong traction in Europe and Canopy gained nearly two decades worth of valuable IP in extraction and synthetic cannabinoid production through the acquisition.
- Both Storz and Bickel and ThisWorks had unique offerings, steady revenues and existing loyal customer bases.
- Canopy has refined its European strategy to now focus on its identified core markets - Germany, the UK, Austria, Poland, and the Czech Republic.

# No4 Continental Infrastructure

## DEAL INFORMATION

- In May 2021, Tilray and Aphria joined forces to create the world's largest cannabis company by revenue with a combined market value of €7.3 billion. Aphria shareholders acquired 62% of Tilray shares, with the company trading under the Tilray name and ticker on the NASDAQ exchange.
- Tilray's CEO Irwin Simon explained that European assets were part of the core rationale behind the merger, with both companies long championing the importance of European markets.
- The new combined entity holds cultivation assets in Portugal and Germany, distribution capabilities through Aphria's acquisition of CC Pharma, a supply contract for the French pilot, the only medicinal cannabis product approval in Portugal, and a growing presence elsewhere in Europe.
- The deal formed the largest medical cannabis company in Europe, with a complete and more robust end-to-end EU-GMP supply chain.



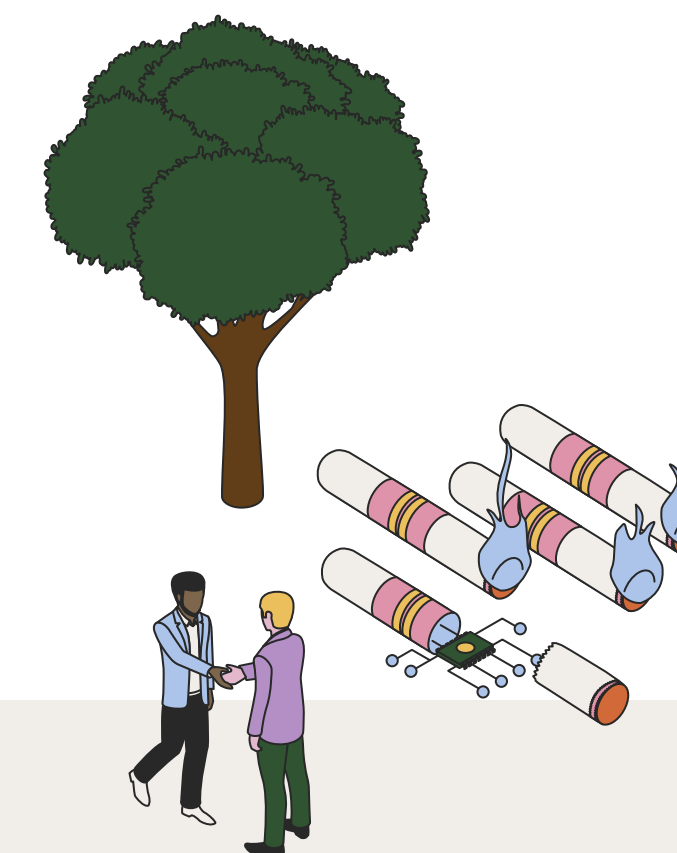
## HA Hanway Analysis

- The two sets of assets were a complimentary fit - while Aphria had a strong handle on the German market, Tilray had mastered bulk low cost imports and cultivation on the continent.
- Aphria was an attractive partner to Tilray due to its strong leadership team and the clarity of its strategy, being the first Canadian cannabis company to report a net profit.
- Although the transaction consolidated medical assets, it places the entity in a strong position to capitalise on future adult-use markets, with both Portugal and Germany contenders for adult-use legalisation.
- As Aphria is the first Canadian cannabis company to report a net profit, it's likely Tilray was attracted by the strength of its balance sheet.
- The merger may create synergies outside of cannabis too, as both producers have diversified through alcohol partnerships and acquisitions.

# No5 Vice Technologies

## DEAL INFORMATION

- The transatlantic deal flow continued through two notable North American investments made by UK nicotine companies, with both involving technology in addition to cash.
- Imperial Brands invested €104.3 million into Canadian cannabis producer Auxly through a convertible debenture in July 2019, forming an exclusive cannabis R&D partnership and granting Auxly licences for Imperial's vaping technologies.
- Imperial Brands demonstrated its continued confidence by extending the debenture's maturity date in 2021 until September 2024.
- British American Tobacco bought a ~20% stake in Organigram, a Canadian cannabis producer, for €148 million in March 2021, commencing a product development partnership with the firms granting each other licences to IP to commercialise next gen cannabis products under their own brands.
- DLA Piper acted on the deal as Organigram's European counsel, alongside Goodmans LLP as Lead Counsel.



- These two deals reflect the importance of nicotine companies finding a role in a sector that may cannibalise their business.
- Unlike in the nicotine sector, where consumption is declining and opportunities for product development are limited, nicotine companies see long term potential in the cannabis sector.
- The transactions indicate that even well-established British companies with traditionally conservative stakeholders are coming around to cannabis, despite the potential Proceeds of Crime implications.
- The entrance of nicotine companies raises eyebrows and ethical questions for some, while others note the continued mainstreaming of cannabis as more FMCG companies with conservative shareholders succumb to the greenrush.

# No6 Tech & Celebrity VC

## DEAL INFORMATION

- The Berlin-based cannabis startup Sanity Group closed the largest round of European cannabis funding to date in June 2021, closing a €37.5 million round advised by Magic Circle law firm Clifford Chance. The raise brought total investment in Sanity Group up to €61.9 million.
- Sanity Group plans to use the funds to build out an EU-GMP facility for its pharmaceutical business Vayamed, and further its consumer goods businesses through the VAAY and This Place brands.

- The German company is a strong success story of raising privately, closing multiple multi-million raises from US and European celebrity angels and VCs including Will.i.am, Cherry Ventures and the Swiss firm Redalpine Capital.
- Sanity Group's €20.1 million Series A funding round in Feb 2020 was the previously the largest fundraising round in Europe at its time, led by Calyx Capital Partners.



### SANITY GROUP CAP TABLE SNAPSHOT

“

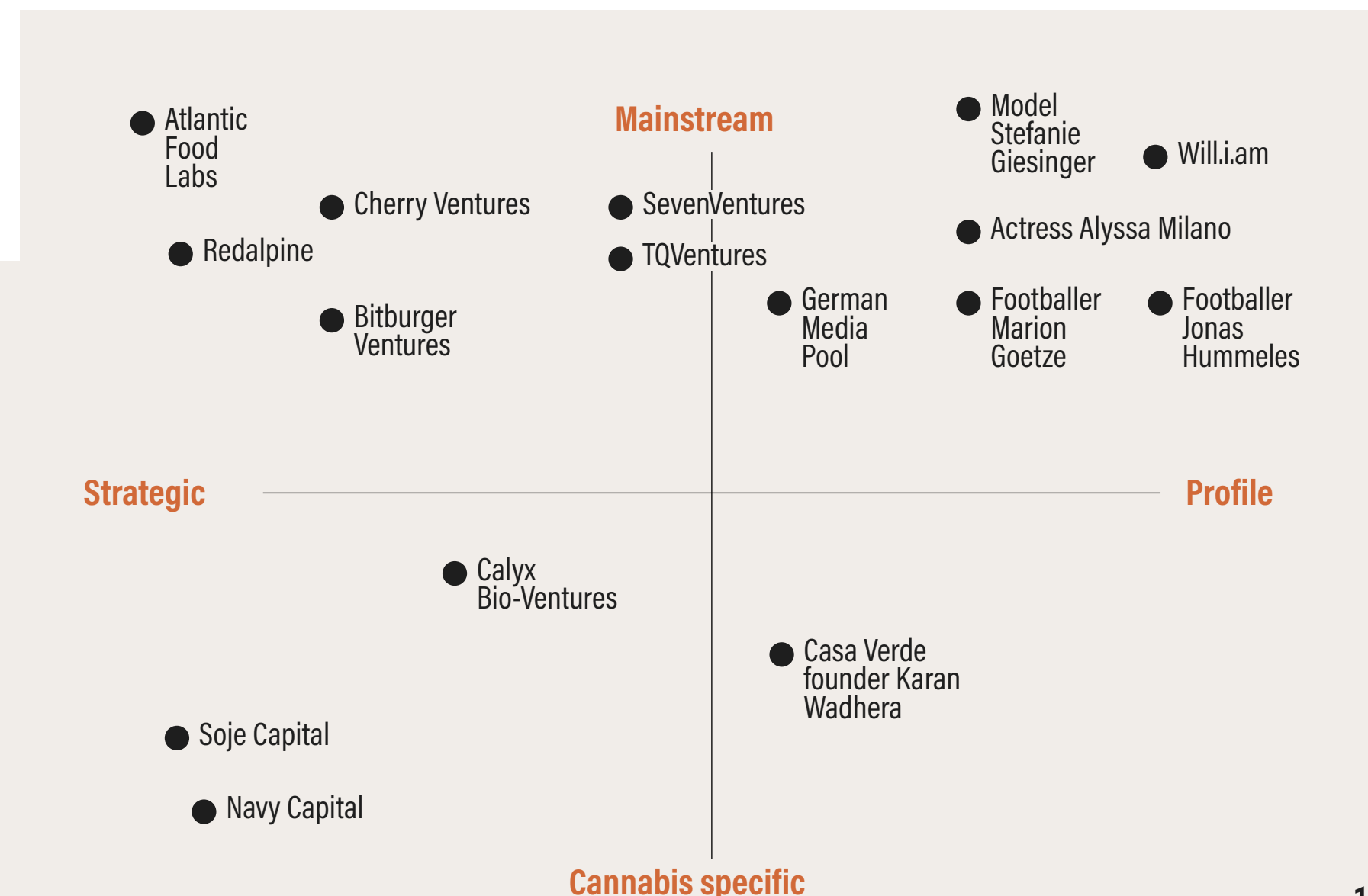
We are always on the lookout for partners who can not only support us financially in our endeavors, but above all are a good strategic fit for us. Redalpine's investments in the life science and medical sector as well as Navy Capital with cannabis portfolio companies in the healthcare and consumer-goods sector ideally complement our existing investor setup and cover the entire range of our business in the health, life science and consumer-goods sector.

FABIAN FRIEDE, SANITY GROUP

## Hanway Analysis

- Sanity Group's raises typify the European VC route emerging in the cannabis sector, with large amounts of capital from formerly tech-focussed funds giving founders no requirement to go out to public markets to raise significant capital.

- Sanity Group has assembled a strong team of investors who can provide both strategic guidance and profile raising opportunities.



# No7 Mainstream Positioning

## DEAL INFORMATION

- Oxford Cannabinoid Technologies (OCT) is following a different path to most other cannabis companies in the Europe, developing a portfolio of licenced pain pharmaceuticals as an alternative to opioid treatments, with the first sales expected in 2027.
- OCT listed on the London Stock Exchange in May 2021, raising €19.4 million from the IPO at a pre-revenue implied market value of around €56.4 million - the largest raise to date by a UK listed cannabis company.

- Imperial Brands invested in OCT's Series A round back in 2018, and has an 11% holding after the float. Significant audit and compliance reports have been required since their investment.
- The British company is also backed by Snoop Dogg's fund Casa Verde, which invested €8.5 million in OCT in 2018 and owns around 2% of the company post-IPO.



“

We previously looked at Nasdaq First North, which is a vibrant and emerging exchange for biotech and seemed like a natural fit in the absence of a domestic exchange. The decision was clear after the FCA's announcement - we are a British company with an Oxford partnership, so we are delighted to be on the London market.

NEIL MAHAPATRA, OXFORD CANNABINOID TECHNOLOGIES

“

We often had to find interesting groups that wanted to invest through word of mouth. The majority were small institutions, the private client network, and HNWs investing directly themselves.

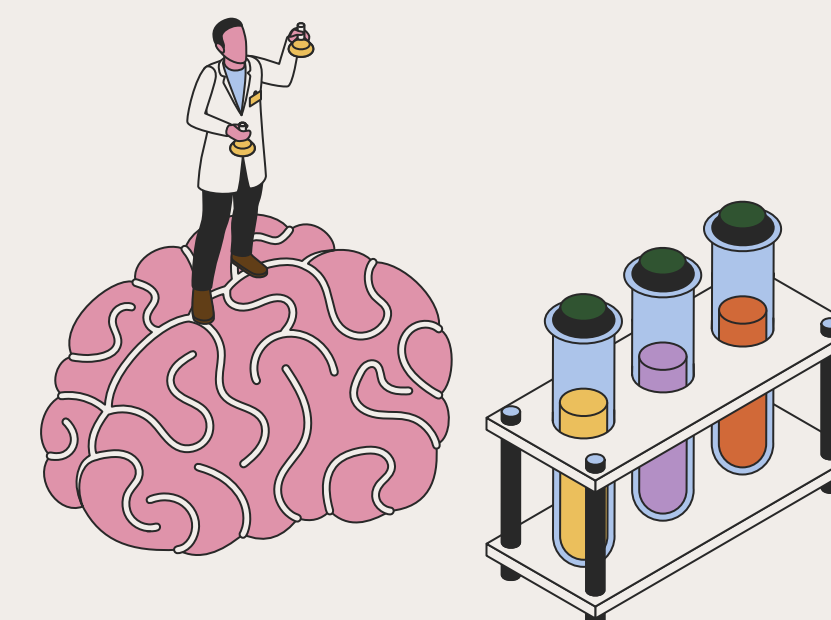
DAMION CARRUEL, STATESBRIDGE CAPITAL



- OCT is the type of company with the ability to make even the most conservative investors consider cannabis, strengthened by its British heritage, credible executive team and pharmaceutical approach.

- OCT's gains credibility from its well-known backers. The company has a partnership with Oxford University, and is the only UK cannabis company to have a listed FTSE100 company as an investor.

- Interest in OCT was boosted by GW's acquisition by Jazz Pharmaceuticals due to similarities between the two business models - investors see an opportunity to get in early on the 'next GW'.



# No8 Brand Building

## DEAL INFORMATION

- TRIP raised €4.2 million in March 2021 to fund its US market debut and European expansion after smash hit success, believed to be the highest amount raised by a UK CBD company in a single funding round.
- The trending millennial CBD drink and oil brand's funders include Depop CEO Maria Raga and German investor Christian Angermayer (investments include ATAI Life Sciences and Block.one).

- Outside of the financial sphere, TRIP has formed distribution partnerships with Deliveroo, Soho House, Selfridges, Harvey Nichols, and Queen Elizabeth II's farm shop.



“

TRIP has created a stand out brand that has made it easy for millions of consumers to try CBD for the first time. I believe TRIP will be the brand that brings CBD truly into the mainstream.

CHRISTIAN ANGERMEYER, APEIRON INVESTMENT GROUP

“

TRIP understands the power of connection and community having built a cult of loyal fans. Gen-Z's attitudes to lifestyle and wellbeing are changing the landscape and TRIP is positioned to continue to drive connection in this space.

MARIA RAGA, CEO OF DEPOP

“

This is TRIP's first external raise, and having grown into one of the leading CBD brands in Europe, we're excited to build partnerships with this amazing group of investors on the next step of the journey.

JAMES EDMUNDS, TRIP

## Hanway Analysis

- TRIP's raise demonstrates the sheer amount of value that brandings can carry in the CBD space, as TRIP has elected not to own cultivation and manufacturing infrastructure.

- The rising capital requirements of CBD brands indicates the progression and increasing scale of the wellness market.

- Novel Foods regulatory clarity in the UK may have made it easier to raise such a significant amount for an ingestible product that would previously have been high risk.

- TRIP has built strong consumer loyalty and momentum compared to other brands, led by its strong husband and wife founder team.





# No9 Consumer-First Model

## DEAL INFORMATION

- Love Hemp is well positioned and well capitalised for a European consumer cannabis business, having completed a multi-million raise and forming sponsorship deals at a scale previously unheard of in the sector.
- The brand raised over €8.2 million in 2021 through an oversubscribed share issue on the Aquis exchange, raising €5.9 million through HNWs and family offices and €2.4 million through a three-day broker option.
- Aside from its financial successes, the brand secured a five year sponsorship deal with

UFC in March 2021, becoming the MMA series' official global CBD partner. The deal provides access to UFC's physical and digital assets and UFC trademarks and brands.



- In June 2021, the British boxing champion Anthony Joshua signed a three-year endorsement agreement and became a shareholder via his management company, 258 MGT Ltd.
- Back in 2019, Love Hemp was acquired by the investment company World High Life for €10.6 million.



Hannam & Partners acted on behalf of Love Hemp throughout their raises. Multiple factors make Love Hemp an attractive investment:

- Continuously growing revenues as a CBD brand
- Strong global expansion strategy and team
- New scaled up production facilities and unit capacity
- Novel Foods application completed, working towards GMP
- Indicated willingness to transfer to LSE main exchange

NILESH PATEL, HANNAM & PARTNERS



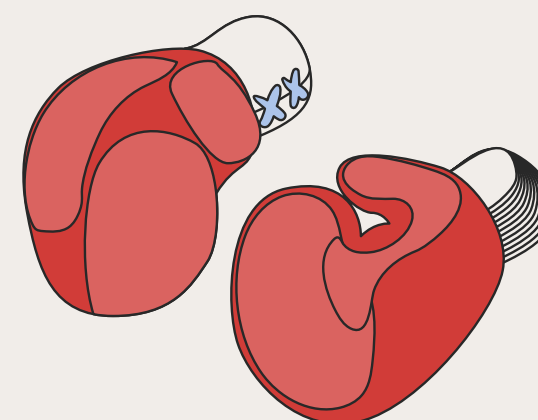
There is no better partner on global scale that could offer a CBD wellness brand more credibility and validation than UFC. Love Hemp will have access to the largest sports platform and pay per view provider globally, reaching one billion households.

TONY CALAMITA, LOVE HEMP

## Hanway Analysis

→ The past year has seen a surge in the number of partnership deals formed between CBD brands and professional athletes, often sparking strong financial interest.

→ Brands that win the hearts and minds of the nation will become leading consumer players, and those that generate revenues will always be the target for further investment.



# Investors

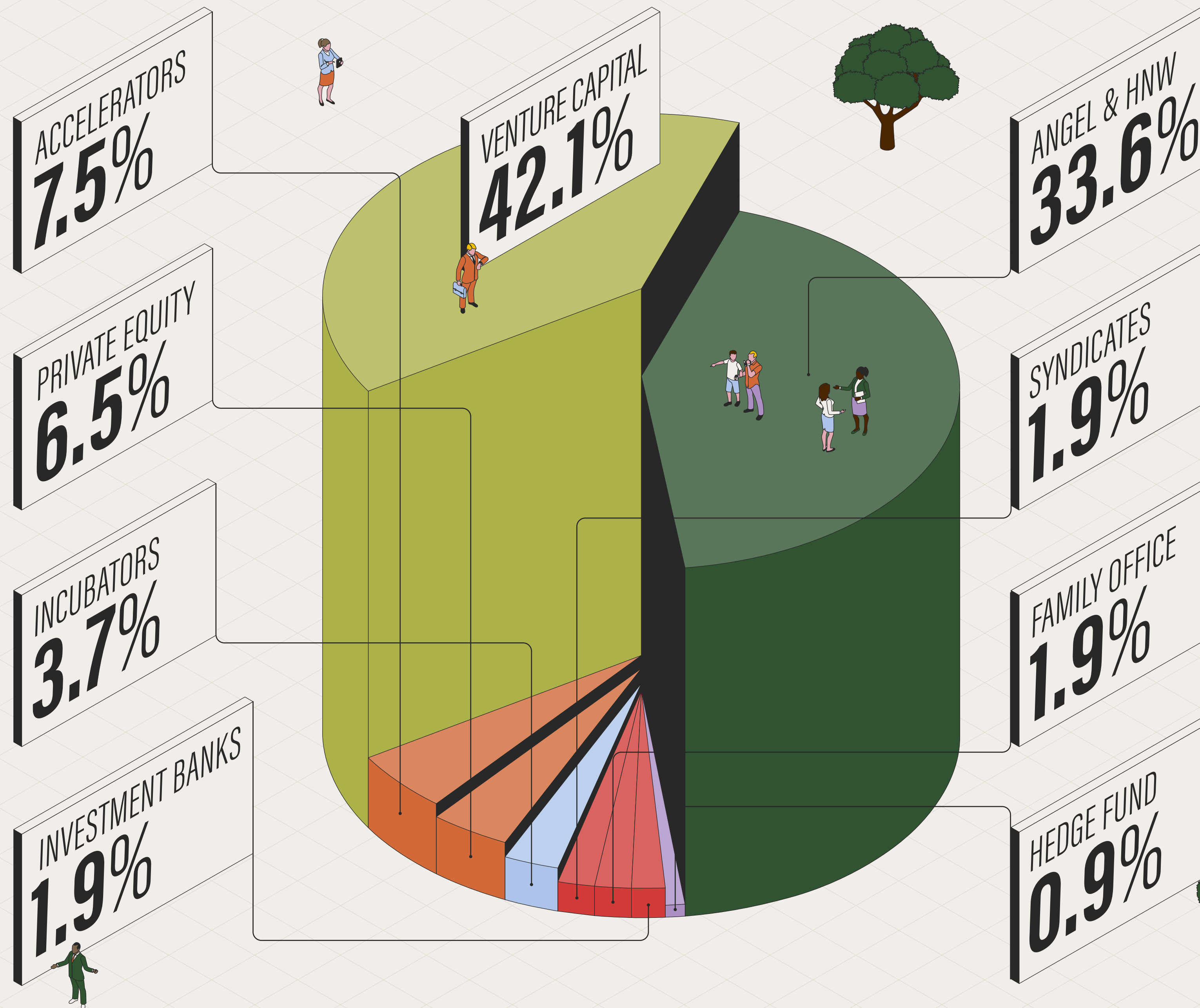
## **HANNAM&PARTNERS**

H&P is a privately owned, relationship-led, investment bank that specialises in offering independent corporate finance and capital markets advice and access to companies, funds, institutions and governments. Our seven senior partners have advised on some of the highest profile and complex

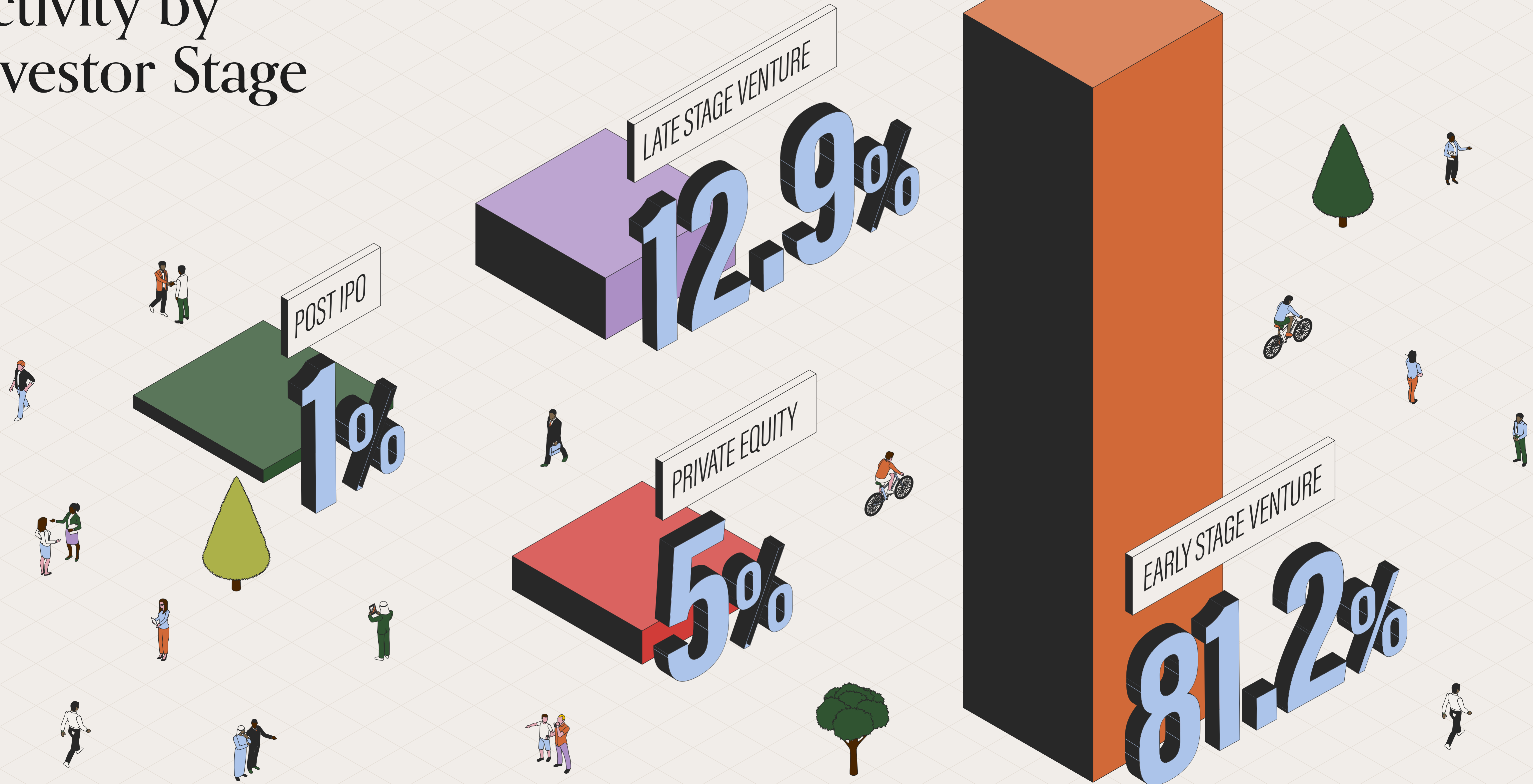
capital markets transactions in the last three decades, with particular expertise in the natural resource, cannabis and financial sectors. Between them, they have a combined 135 years of experience and have raised over US\$330 billion for issuers around the world.

H&P in the last 18 months has advised on US\$1.16 billion of successful equity capital raisings including the raising of £10m for Love Hemp Group in the CBD space.

# Activity by Investment Type



# Activity by Investor Stage



# Notable Actors

## Investors: Exposed to cannabis

- Atlantic Food Labs
- Cherry Ventures
- DB Ventures
- Deepbridge Capital
- GHO Capital
- HV Holtzbrinck Ventures
- Imperial Brands
- Index Ventures
- Inverleith LLP
- Jam Jar Investments
- Khosla Ventures
- Kindred Capital
- Premier Miton
- TQ Ventures



## Investors: Cannabis-specific

- Altitude
- Ananda Developments
- Artemis Growth Partners
- Calyx
- Casa Verde
- Enexis AB
- Seed Innovations
- Greenfields
- Leafy Tunnel
- Measure 8
- Navy Capital
- Oskare Capital
- Verdite
- Wetherby Growth

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- Bryan Garnier & Co
- Canaccord Genuity
- Cenkos Securities
- Chrystal Capital
- Corpura Fondkommission
- Gemstone Capital
- Hannam & Partners
- Liberum
- Novum Securities
- Saxonhammer
- Turner Pope Investments



1. PRIVATE CAPITAL

# Angel, High Net Worth and Family Office

“

HNWs have been active in early stage cannabis deals as they don't have the same hangups as institutions. They look for strong growth - and a new industry starting from scratch is a rare opportunity due to the ability to hit over 100% growth a year.

PAUL GURNEY, BMO CAPITAL MARKETS



In the early days of the European cannabis industry, and until around 2019, a large proportion of investment came from high net worth and angel investors. These individuals were instrumental in funding the fledgeling sector and filled a gap with their ability to fund smaller scale operations with riskier, longer term revenue horizons - with investment sizes ranging from a few thousand to several million.

High net worths typically have the least restrictions on what they are willing and able to invest in due to using their own private capital, and are the most open to investing in companies with adult-use assets which the majority of institutional investment policies and fund guidelines block.

As the European ecosystem developed, notable celebrity angel investors became comfortable enough to dip their toes in. Sanity Group's star-studded cap table includes US musician Will.i.am, US actress Alyssa Milano, German footballer Mario Goetze and model Stefanie Giesinger. In the UK CBD sphere, Cellular Goods is backed by footballer David Beckham and Love Hemp now has the boxer Anthony Joshua as a shareholder.

Family offices have funded many relatively early stage European cannabis companies, including the Swiss Sayano Family Office which invested in CanPharma in 2019. Increasingly, family offices are adopting a venture capital style model, targeting three times earnings in three years. To achieve this through cannabis

investments, investors need to get in very early or take on significant risk - leading to increased family office interest in early stage cannabis companies.

It is becoming increasingly important for cannabis companies to find investors that are the right fit in terms of their risk and return profile, and to align expectations around industry growth rates and the potential regulatory roadblocks that could limit successes.

# 33.6%

of investment came from angel investors & high net worth individuals

## 2. FUNDS

# Venture Capital

“

As a VC who's been working in Europe for more than 11 years now in more traditional technological sectors, setting up a fund in the medical cannabis sector has been very challenging but also very exciting. I have never seen a sector with so much potential from a scientific standpoint but also from an investor returns perspective.

ALEXANDRE OUIMET-STORRS, ÓSKARE CAPITAL

“

Chrystal has been active in the cannabis sector for the last 5 years, raising almost €423.8 million for legal medical, wellness and pharmaceutical cannabis businesses in North America, South America and Europe. The team also intends to launch a London Stock Exchange listed investment trust targeting the European legal cannabis sector, expected to close Q1 2022.

KINGSLEY WILSON, CHRYSTAL CAPITAL

Between late 2018 and early 2019, an influx of North American venture funds such as Arteis and Altitude began investing in Europe, trying to replicate the successes they had seen in US markets.

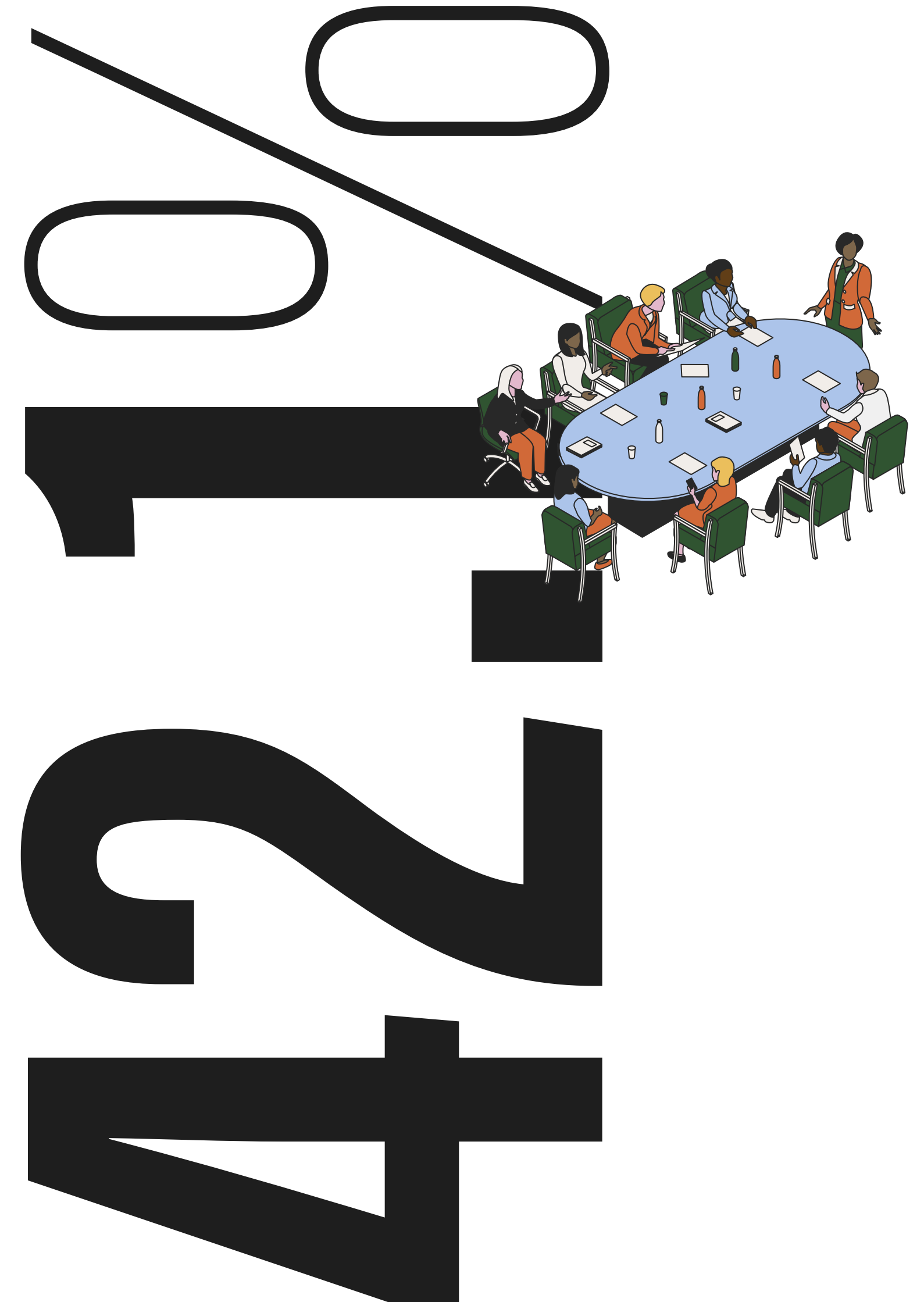
Following soon in their footsteps, several European funds launched focused on the cannabis opportunity. The first to market was Enexis AB, which invested both its own capital and a purpose-raised fund into seed companies.

Shortly after in 2020, Óskare Capital launched its ÓSKARE Fund I together with cannabinoid industry veteran Bruce Linton with a target fund size of €150m, making smaller scale investments along the way.

Subsequently, Verdite Capital spun out of Chrystal Capital and raised its first fund, with plans to make its first investments later in 2021 after considering over 500 deals in the sector. Verdite aims to initially secure €84.8 million through family offices and high net worths, with plans to scale up to €169.5 million - of which 35% is earmarked for Europe.

Venture funds are able to invest in larger amounts than angel and high net worth investors, plugging middle ground European capital requirements.

Involvement has not only been from cannabis specific funds, but also from mainstream venture groups. FMCG venture arms have also moved into cannabis investments, with Imperial Brands, B Tomorrow Ventures, and Heinz all having invested in cannabis companies.



of capital invested privately into the European cannabis ecosystem was venture capital

## 2. FUNDS

# Speciality cannabis fund: ENEXIS AB

# \$3-5 billion

The amount Enexis estimates has been invested into listed cannabis stocks around the world by European investors

“

We have made 18 investments since we began deploying our capital, and while our portfolio remains young, we are pleased with our strong double digit performance and exit outlook at this early stage. The outlook going forward remains attractive, perhaps even more so compared to when we launched.

DAVID BONNIER, ENEXIS AB

**ENEXIS AB is a Stockholm-based investment company founded in 2018 by David Bonnier and Amaury de Poret and is dedicated to the European cannabis sector. The company focuses primarily on medical cannabis, CBD wellness, and ancillary growth-stage opportunities.**

**To begin with, valuations across private European cannabis companies in our pipeline remain attractive, especially compared to listed cannabis companies. Second, we are seeing renewed interest in European cannabis assets from international operators, including for example Curaleaf's acquisition of Emmac Life Sciences, and more recently Little Green Pharma's acquisition of Spectrum Therapeutics. Lastly, we're seeing larger post-revenue companies emerge which are attracting larger pools of capital, including Sanity Group which closed a €37.5 million Series A round in June.**

### PORTFOLIO COMPANIES INCLUDE:

EMMAC (acquired)  
Cannaray  
Dragonfly  
Octarine Bio  
Mantle Wellness  
Prohibition Holdings  
Alphagreen  
South West Brands  
Heidi's Garden  
Hemply Balance  
Northern Leaf  
Foria Wellness

### PORTFOLIO STRATEGY:

- Core focus is on private companies in Europe, given attractive growth profiles and favorable valuations compared to listed companies.
- Sector focus on medical cannabis, CBD wellness, and ancillary opportunities, such as dedicated extractors, lab diagnostic companies, and medical device manufacturers.
- Thematic focus on companies carving out a niche that already exists in other more mature market (e.g. Israel, Canada), or filling a white space in the market.
- Preference for post-revenue companies with credible teams, but also invests in Seed rounds where there is a clear niche or first-mover opportunity.



## 2. FUNDS

# What is attracting mainstream VCs to the cannabis sector?

“

We have built a strong thesis and track record around taboo sectors - areas of high unmet need with very established institutionalised biases which means there is typically limited innovation and investment.

Only a subset of investors and entrepreneurs go into these spaces, but the size of the prize is massive. Fundraising will probably take longer, but once you have built the momentum you are likely to have a smaller competitor set as well.

WILL GIBBS, OCTOPUS VENTURES

We spoke to Octopus Ventures, one of Europe's largest and most active Venture Capital firms, to understand when we might see more cannabis companies within mainstream VC portfolios.

## OCTOPUS VENTURES

The UK and US based VC Octopus Ventures invests in startups in the five areas that they see the most potential for growth and innovation; health, fintech, deep tech, consumer and B2B software.

Octopus Ventures' specific areas of focus in the health sector include brain health, hyper personalisation, bio manufacturing and taboo - categories which cannabis companies could fall neatly into.

## WHAT MIGHT ATTRACT MORE EUROPEAN VCS INTO THE SPACE?

Some barriers are structural - certain funds will refuse to touch it. There needs to be a critical mass of businesses that can demonstrate commercial scale, such as GW Pharma and Sanity Group. However conservative an investor may be, when they see commercial successes and objective valuations they will be interested.

As cannabis companies become more sophisticated, larger rounds will be led by life science investors - whose expectations will be higher in terms of robust science and rigour. This will be interesting to watch when many cannabis CEOs lack scientific experience.

## AREAS OF VC INTEREST

- Private pain clinics
- Direct to consumer pain pharmaceuticals
- Synthetic cannabinoid bio manufacturing
- IP protection for pharma innovations
- Patient data outcomes and clinical evidence

# 130

The number of companies backed by Octopus since 2008

## 2. FUNDS

# Accelerators & Incubators



TechForCann Europe is the first medical cannabis tech accelerator in Europe with a mission to further develop an innovative medical cannabis ecosystem in Europe. Our goal is to identify and lead the next breakthrough startups to success, focusing on early-stage start-ups that answer industry challenges.

Our international program - headquartered in Malta, allows eligible entrepreneurs to reach milestones faster, with less error and expense, ultimately increasing their probability of commercial success.

LILAC MANDELES, TECHFORCANN EUROPE

Aside from funding, accelerators, venture builders and incubators provide a way for cannabis companies to expedite growth, scale business plans, build teams, and develop technology and infrastructure.

€2.5M

is available through TechforCann Europe across four business categories

## ACCELERATORS

The first European medical cannabis tech accelerator **TechforCann Europe** has been established by Malta Enterprise - the Maltese government's exclusive agency focused on attracting inward investment.

€2.5M is available through TechforCann Europe across four business categories: healthcare and biotech, agtech, digital operations and product technology.

## VENTURE BUILDERS

**Volvér Ventures** is a deep tech and life science venture builder and advisory firm founded as a spin out from Novo Nordisk Engineering, a subsidiary of the pharmaceutical company Novo Nordisk.

## INCUBATORS

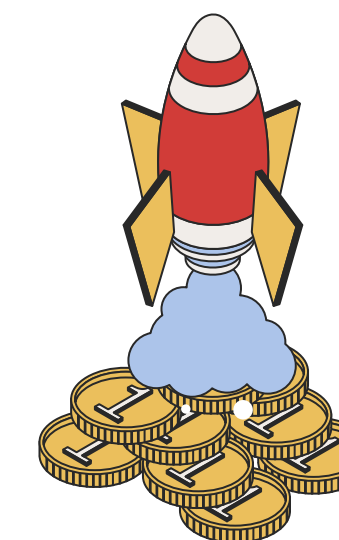
Cannabis companies are now being accepted onto non-cannabis specific incubators - TRIP became the first CBD brand to be selected for **Sainsbury's Future Brands** incubator programme.

Meanwhile, the world's first government-sponsored medical cannabis technology incubator **CanNegev** launched in Israel.



We have been involved in over 50 medical cannabis projects across the world - working with companies from ideas to GMP approved operations, and working with investors doing M&A transactions.

CHRISTIAN CARLSEN,  
VOLVÉR VENTURES



## 2. FUNDS

# Private Equity

“

A complex and evolving regulatory landscape has resulted in a lack of immediate engagement from institutional investors. Instead, the vast majority of investment capital into the cannabis sector has come from retail investors, mostly into listed companies given limited access to private placements. This in turn has caused a valuation arbitrage between private and public cannabis companies. For example, the private European cannabis companies in our pipeline currently trade at 2x 2022F sales, compared to an average of around 5x for listed cannabis companies.

DAVID BONNIER, ENEXIS AB



## PRIVATE EQUITY

In the five years before 2021, only nine small private equity-backed deals in the cannabis sector were completed in Europe, according to the data provider **PitchBook**.

Although involvement is currently limited, significant further growth is expected as public markets open up and cannabis companies begin to become large enough to attract substantial private equity interest.

**GHO Capital** acquired **Alcaliber** from **Torreal** and **Sanofi** in May 2018, including its specialist cannabis subsidiary, Linneo Health - a deal primarily focused on Alcaliber's morphine business.

**Orkila Capital** invested €15 million into the German pharmaceutical importer Cannamedical in 2019, reportedly the largest private equity deal in the European sector at the time. Later in 2021, the North American buyout group launched the German medical cannabis company **Semdor Pharmaceuticals** to serve the European pain therapy sector, leading over €40 million in new investment capital.

Private equity involvement is slowly increasing, with firms taking larger operational roles in cannabis companies in addition to providing capital. Despite multiple North American private equity funds reporting interest in the European cannabis sector, these firms have had no significant involvement to date.

Private equity involvement in the medical cannabis sector has been limited by the small scale of the market compared to private equity's typical 5 year fund horizon. Investors must take a gamble on how long they are willing to fund losses until the market takes off. Consumer brands are now attracting private equity attention, following increased confidence in the sector from regulatory progress.

### 3. INSTITUTIONAL CAPITAL

# Mainstream & Traditional Capital

“

Institutions may be attracted when a company with a market cap in the hundreds of millions emerges and once they are familiarised with the sector. It will take companies growing and demonstrating an ability to deliver attractive returns on capital - €25 million market cap companies are just not on the institutional radar.

There are currently only a handful of listed companies to invest in with a total market cap of around €350 million. That €350 million is not all available for institutions to invest in, as they can only invest in the freefloat proportion, typically around 25% of the value. At this point, most businesses are founder-controlled.

RUPERT FANE, HANNAM & PARTNERS

In North America, large banking institutions have been actively involved in the cannabis sector - with activity from JP Morgan, Goldman Sachs, Bank of America, Credit Suisse, Piper Jaffray, and Oppenheimer.

We spoke to large institutions under anonymity, who informed us that their organisations are becoming acquainted with the sector and assessing opportunities, but waiting to fully jump in as the total European cannabis market size remains small.

Institutional involvement typically indicates mid-to-late stage industry development. European cannabis company valuations and ticket sizes are typically too small for large private equity firms, banks and institutions to operate in the space.

Businesses need to be generating either a lot of IP or significant revenues to attract institutional investment - GW perfected the first approach, raising extensive capital through the public markets.

Part of the reason why institutional investors aren't as common in the space yet is due to regulations continuing to unfold in Europe. Compliance departments and asset managers need to put internal protocols into place, and ensure that their investors have clear guidelines to follow.

European countries have adopted restrictive medical cannabis frameworks and lack commercial adult-use markets, resulting in less growth potential than North America. Once European cannabis companies reach new levels of scale, we expect to see significant institutional interest over the next decade.

“

We haven't been involved in any of the European cannabis deals yet, due to them not being large enough. We would need a €50 million deal size or larger to get involved.

PAUL GURNEY, BMO CAPITAL MARKETS



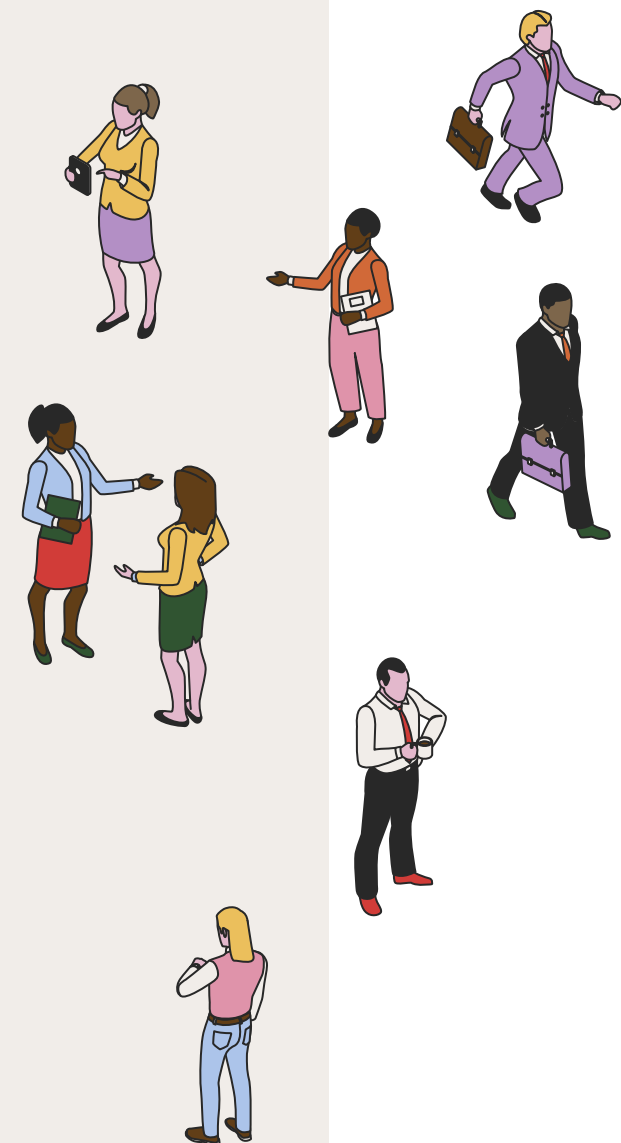
### 3. INSTITUTIONAL CAPITAL

# State Funding & Support



Innovative startups such as Octarine Bio have raised significant rounds of capital through state-backed and international venture financing.

DEREK LIGHT, INVEST IN DENMARK



**State-owned and state-linked agencies across the continent have provided both financial and strategic support to European cannabis companies in over recent years.**

#### MALTA

→ Maltese government agency Malta Enterprise supported TechforCann EU, the first European tech accelerator programme for the medicinal cannabis industry, with €2.5 million funding. Malta aims to establish itself as the industry's R&D hub and develop an innovative medical cannabis ecosystem.

#### DENMARK

→ Octarine Bio received funding from Denmark's state investment fund Vækstfonden to develop a biosynthetic platform for cannabinoid and psychedelic tryptamine derivatives. The university spin-out company's sustainable green technologies and diverse team made it an attractive investment target.

#### UK & IRELAND

- The Mayor of London's startup accelerator London & Partners supported Cellen, a London-based cannabis healthtech company, through its Business Growth Programme.
- The Scottish development agency South of Scotland Enterprise (SOSE) invested €810.5k in the cannabis cultivation and manufacturing startup Hilltop Leaf.
- The Central Bank of Ireland gave the green light for the Irish domiciled investment fund Óskare Fund looking to raise €150 million.

#### THE NETHERLANDS

→ The Dutch government invested €1.9 million into research into the treatment of neuropathic pain in collaboration with the Dutch cannabis company Bedrocan, conducted by the Centre for Human Drug Research and Leiden University Medical Centre.

### 3. INSTITUTIONAL CAPITAL

# Pension Funds



Pension funds remain conservative in terms of direct exposure to the cannabis sector.

Some pension fund capital has been invested into GW Pharmaceuticals, through both its NASDAQ listing and Jazz Pharmaceuticals' acquisition.

Certain cannabis investments have, however, been made without a clear understanding of the sector, resulting in funds backtracking and divesting their shares.

European cannabis transaction sizes remain too small to warrant substantial pension fund involvement, with funds typically investing at least €20-30 million into a company at a time.

Once company valuations rise and investment guidelines are clarified, we expect to see interest from pension funds arise faster than in the US due to the absence of federal legality to contend with.

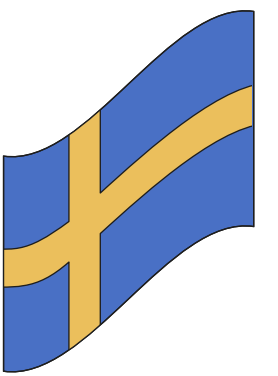
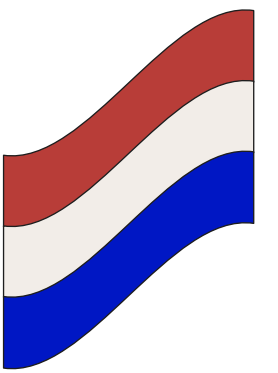
A pathway now exists for national ethical guidance councils to approve medical cannabis investments, since the United Nations' rescheduling of cannabis acknowledged its medicinal benefit at a global level.

→ **Norway's** sovereign wealth fund Norges Bank IM announced it would no longer invest in companies with direct exposure to cannabis in 2019, selling all €139 million of its cannabis stocks. The change in policy came after reported criticism from the Norwegian Narcotic Officers' Association (NNPF).

→ **Dutch** pension funds exclude investments into producers of legal tobacco products, but not cannabis producers. Adult-use cannabis companies receive contributions from the Stichting Pensioenfonds Huisartsen (SPH) and the Stichting Pensioenfonds Medisch Specialisten (SPMS).

→ **Swedish** state-owned pension fund AP7 invested in Aurora Cannabis and Canopy Growth in 2019, but these investments were subsequently blacklisted for conflicting with international drug conventions.

→ Across the rest of the globe, the **Korean** sovereign wealth fund has invested in multiple cannabis stocks, and the **New Zealand** national fund has approved investments into medical cannabis companies.



#### 4. PUBLIC MARKETS

# Public Markets

“

I like public markets, I've operated in them for more than 20 years. The cannabis space is definitely maturing but it remains imperative to work out where real value is being created. Focus and discipline are key.

MELISSA STURGESS, ANANDA DEVELOPMENTS

As prohibitions recede and opportunities arise, cannabis operators gravitate towards public markets - as seen in North America with the listing of cannabis companies on NASDAQ and the Canadian Securities Exchange. To understand how the European cannabis landscape will develop, we need to understand how public markets have served as an industry catalyst.

The first phase of cannabis companies on European public markets happened in Scandinavia in 2018 and 2019, welcoming the first European cannabis IPOs since GW Pharmaceuticals in 2001. While a historic moment for the industry, the Nordic exchanges attracted interest from primarily Scandinavian companies, leaving a space for a truly international exchange to emerge as a cannabis hub.

The UK Financial Conduct Authority's announcement in 2021 that both domestic and international cannabis companies could list on the London Stock Exchange's main markets was highly significant. The LSE carries heavy reputational weight and credibility as a brand itself - attracting a proliferation of interest which has boosted both the scale of the UK market and media interest.

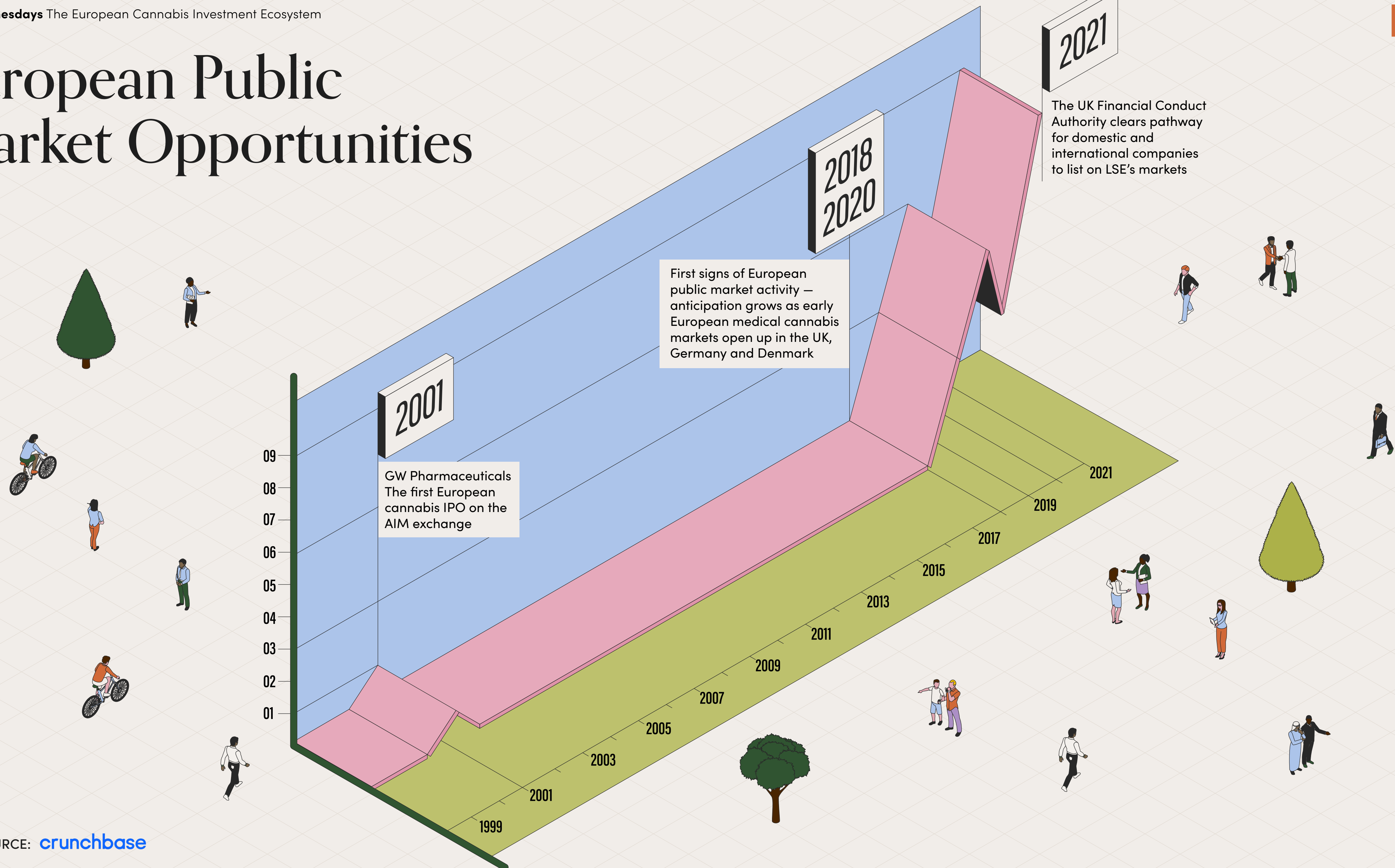
There are now established, tried and tested opportunities for European cannabis companies to raise capital through European public markets.

Public markets are instrumental for industry growth and development as they provide:

- Access to capital
- Potential exits
- Seal of regulatory approval
- Sector normalisation and destigmatisation



# European Public Market Opportunities





# Concentration of European Cannabis companies on Public Exchanges



4. PUBLIC MARKETS

# ETFs & Listed Funds



Our portfolio is comprised of companies that will be able to continue raising money even if they are unable to produce pure profit at this point.

We prefer a vertically-integrated approach from most companies. Cannabis is such an early stage business landscape, so control over supply chains to lower costs is key.

ED MCDERMOTT, SEED INNOVATIONS

Other listed funds focused on the European cannabis sector include World High Life and Pharma C Investments.

## ETFs

Two ETFs with European cannabis companies in their portfolio launched since 2020, facilitating exposure and enabling beginner cannabis investors to access the sector and diversify their holdings.

While the ETFs alleviated some of the pent-up demand for cannabis stocks, they weren't quite able to quench European retail investor appetite - only providing access to the largest global cannabis companies rather than early stage specialised operators.

Despite their successes in the US, ETFs remain challenging to launch in Europe due to the impacts of Proceeds of Crime legislation if portfolio companies hold adult-use assets. The CBDX ETF removed Namaste Technologies after the chocolate manufacturer Choklat, which Namaste held a 49% equity position in, became licenced to produce adult-use cannabis-infused food products.

## Listed Funds

For several years the only UK listed fund with a focus on the cannabis sector was Seed Innovations (formerly FastForward Innovations), making early stage investments across emerging technologies, including a stake in EMMAC. The fund has transitioned to specialise in cannabis sector investments.



ETF	Medical Cannabis and Wellness UCITS ETF (CBDX)	Rize Medical Cannabis and Life Sciences UCITS ETF (FLWR)
LAUNCHED BY	Purpose Investment and HANetf	Rize ET
BENCHMARK	Medical Cannabis and Wellness Equity Index	Foxberry Medical Cannabis and Life Sciences Index
DATE	Jan 2020	Feb 2020
INVESTS IN	Majority NA companies	Global companies
FUND SIZE	€38.51m	€53.17m



#### 4. PUBLIC MARKETS

# First Wave: Nordics



NASDAQ Nordic has had 112 listings and 86 IPOs so far this year. Lots of new sectors are coming to the market and being positively received. Our market has been successful supporting smaller IPOs. Some of these are not large in size, but listing also provides high growth companies with visibility and transparency.

ADAM KOSTYÁL, HEAD OF LISTINGS - EMEA, NASDAQ



The earliest public market movers in Europe aside from GW's IPO on the UK's AIM exchange were in Scandinavia.

A vibrant ecosystem has developed in the region, offering European cannabis companies a clear pathway to the public markets, sector case studies and governmental support.

The Scandinavian stock exchanges exhibit a high tolerance for smaller, riskier, high growth companies, and offer attractive liquidity. Within the Nordic markets, investors typically have a higher propensity for risk and a stronger 'share-owning culture' exists compared to other parts of Europe.

#### SCANDINAVIAN SPOTLIGHT GROWTH MARKET (XSAT)

The Scandinavian Spotlight Growth Market was home to Europe's first cannabis IPO aside from GW Pharmaceuticals' in 2001. The Danish medical cannabis producer Stenocare listed on the exchange in 2018, raising €2.5 million through an extensively oversubscribed offering.

A second Danish producer DanCann Pharma followed suit in November 2020, raising over €4 million with the public proportion of the IPO over four-times oversubscribed.

#### NASDAQ FIRST NORTH GROWTH MARKET (DIVISION OF NASDAQ NORDIC)

In June 2020, Stenocare uplisted to the Nasdaq First North Growth Market in Denmark, raising €6 million and demonstrating the ability to graduate up to a larger exchange within the Nordics to meet increasing capital requirements.



Despite the recent pickup in European cannabis listings, the public offering relative to investor appetite remains skewed. At around €0.85 billion (excluding GW Pharma/Jazz), the total market cap of listed European cannabis companies remains puny compared to a global cannabis market cap of around €84.7 billion.

Yet we estimate European investors have invested somewhere between €2.5-4.2 billion into listed cannabis stocks around the world—mostly into North American stocks. However, we believe much of this existing capital will be repatriated as more companies come to market domestically in Europe. Therefore, the high relative valuations we have seen across European cannabis stocks could persist for some time.

DAVID BONNIER, ENEXIS AB

#### 4. PUBLIC MARKETS

# First Wave: Nordics

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**We have a very strong active retail market in Scandinavia, and it often outperforms other global markets. Retail investors are savvy to global trends, of which cannabis has been a recent one.**

ADAM KOSTYÁL, HEAD OF LISTINGS - EMEA, NASDAQ

#### STENOCARE: THE FIRST NON-PHARMACEUTICAL IPO IN EUROPE

The Danish medical cannabis producer Stenocare was founded in 2017, and the following year it became the first medical cannabis company to directly list on European public markets.

Stenocare first listed on the Spotlight Stock Market (XSAT) in October 2018, raising approximately €2.5 million through the highly anticipated IPO. Around 9000 subscribers had to be rejected due to extensive oversubscription, as the listing took place at an ideal time to capitalise on the North American cannabis market hype of 2018.

In May 2020, Stenocare was uplisted to the Nasdaq First North Growth Market Denmark and delisted from the Spotlight exchange. The rights issue was subscribed by 392%, making it one of the most oversubscribed in the Nordic region to date - raising a total €6 million (DKK 44.8 million).

#### GEMSTONE CAPITAL

Gemstone Capital advised Stenocare in its IPO process. Gemstone provides capital and strategic financial advisory services, focused on tech companies in Denmark, Sweden and Norway.

We spoke to Gemstone Capital, who have worked with over 40 medical cannabis companies, to understand what their process was to facilitate the historic listing.

“

**We contacted the platforms in Sweden and Denmark in late 2017 and asked them if they were interested in holding the first cannabis IPO through their platform. There was an instant challenge in Sweden due to their lack of medical cannabis access, but the Spotlight exchange was immediately keen.**

**We spoke to local banks at the time, who advised us that there were 30 to 40 thousand retail investors in Sweden with existing cannabis investments. There is a big culture around investing in Sweden, with a focus on early stage and higher risk investments.**

PETER MAX, GEMSTONE CAPITAL

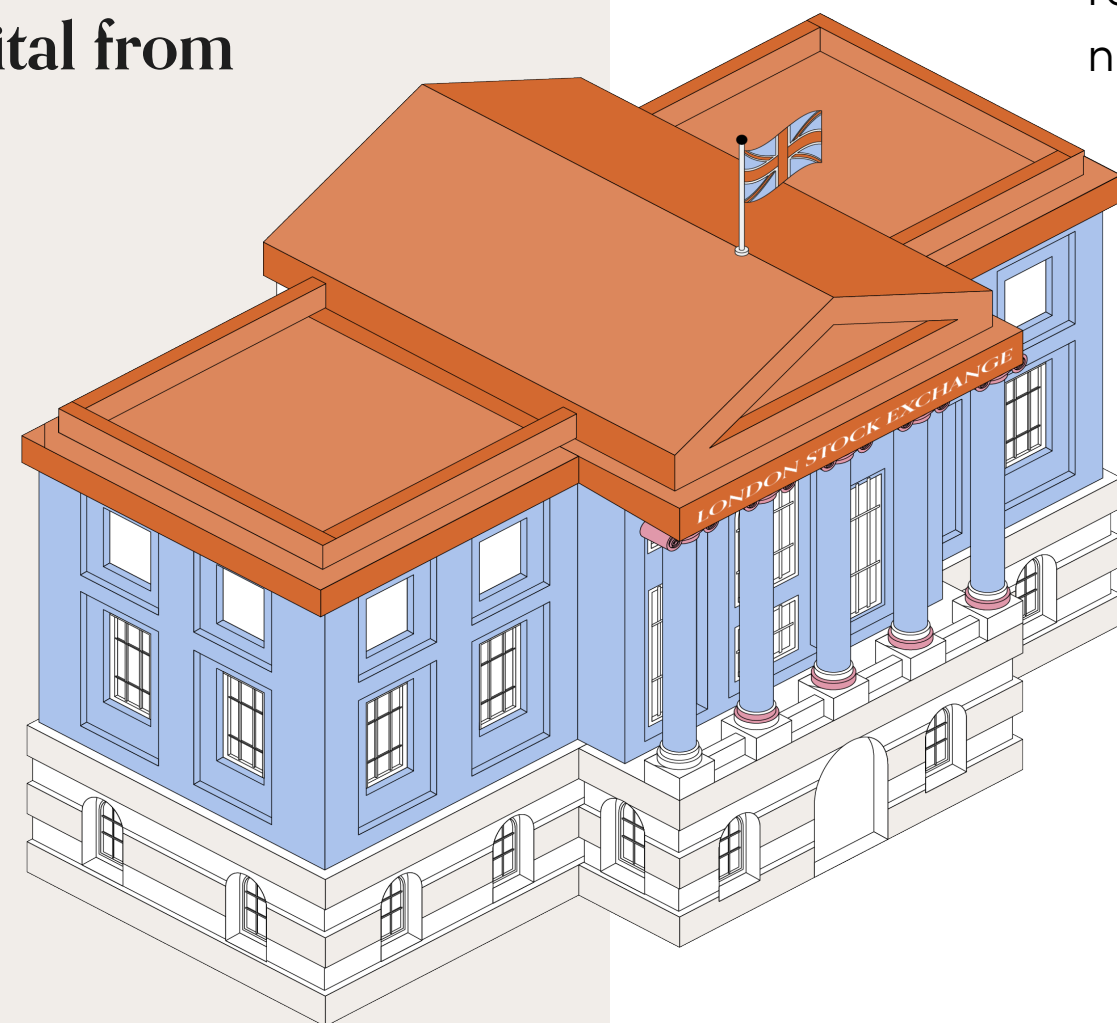
#### 4. PUBLIC MARKETS

# Second Wave: UK

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A growing number of cannabis related companies are choosing London Stock Exchange to continue their growth journey and we expect this pipeline to remain active. These firms recognise London Stock Exchange is the right venue to develop their businesses because of the diversity across our markets, such as our growth market AIM, and the ability to efficiently access long-term capital from investors globally.

MARCUS STUTTARD  
LONDON STOCK EXCHANGE PLC



Despite the London Stock Exchange (LSE)'s AIM exchange being home to the first European cannabis IPO in 2001, the UK cannabis sector wasn't fully unlocked until the Financial Conduct Authority's game-changing announcement in 2021.

#### ALTERNATIVE INVESTMENT MARKET (AIM)

GW Pharmaceuticals was the first cannabis company to list in Europe, raising over €23.5 million through a pre-IPO round and €27.6 million through an IPO on the AIM exchange at an admission value of around €205.6 million.

#### AQUIS STOCK EXCHANGE (AQSE)

The AQSE exchange became an early home for multiple cannabis companies in the UK - initially through companies pivoting operations or through reverse takeovers. The exchange has attracted an increasing number of direct listings from cannabis companies in recent years, although larger companies have now turned their heads towards the LSE.

#### LONDON STOCK EXCHANGE (LSE)

For the first time in 2021, domestic and international cannabis companies were welcomed to list on the London Stock Exchange's main markets. London is now well-positioned to become the international financial hub for European companies and those coming into Europe to raise capital through its public markets, attracted by the exchange's credibility and deep pools of liquidity.

Since the announcement, Kanabo, Oxford Cannabinoid Technologies, Cellular Goods and MGC Pharmaceuticals have listed on the LSE, with MGC dual-listing on the exchange in addition to the Australian Securities Exchange (ASX).

A host of other cannabis companies are now eyeing a London listing, including Northern Leaf, Love Hemp, YOOMA, and Cannaray, which is aiming for a €117.5 million float that would make it the largest cannabis operator on the London Stock Exchange.

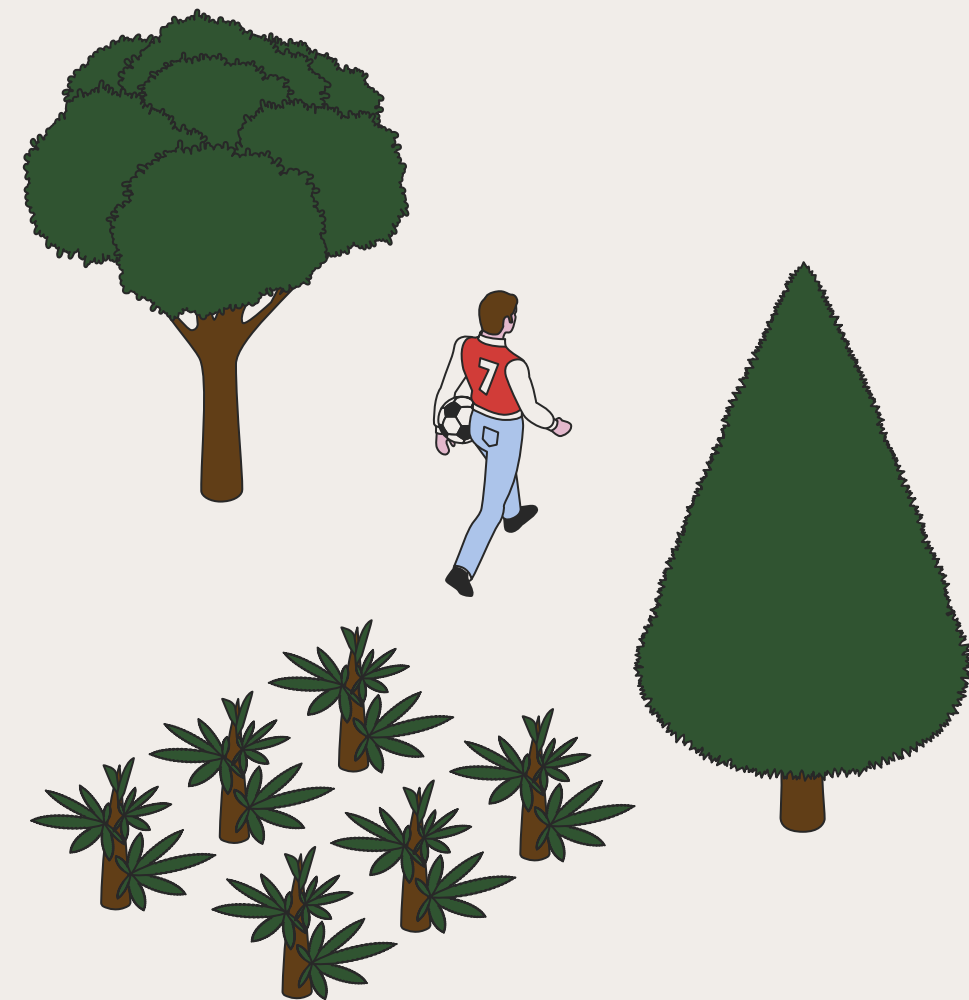
The Financial Conduct Authority took its time to come around to the sector, but has now set clear parameters.

Preference is given to revenue generating companies that predominantly do business in the United Kingdom.

Overseas medical cannabis companies may be listed on the Official List, provided POCA does not apply, eligibility criteria is satisfied and their activities would be legal in the UK.

#### 4. PUBLIC MARKETS

# Second Wave: UK



#### THE FIRST CONSUMER CBD LISTING ON THE LSE

- Cellular Good's IPO in February 2021 made it both the first consumer CBD company to list on the London Stock Exchange and the largest cannabis company to list at the time, with the company valued at €29.4 million. The company is backed by the football star David Beckham's investment firm DB Ventures.
- The biggest challenge to listing was the Proceeds of Crime Act. The regulators remain very cautious, even towards companies that don't work with psychoactive or controlled cannabinoids.
- Cellular Goods use lab-manufactured biosynthetic cannabinoids. As no field growing and extraction takes place, many of the potential blockers and concerns from the regulators were removed.
- Cellular Goods went to market with a clear vision to launch new skincare products in Autumn 2021 and open a broader conversation around cannabinoids beyond just CBD. The company will be first to market with CBG at scale, a cannabinoid which they see as a standout in terms of its potential skin benefits.
- While Cellular Goods tapped into a lot of retail demand and excitement, it remains to be seen if they will do the same with consumers of their products.
- Further CBD consumer groups like South West Brands are targeting highly anticipated listings on the LSE in 2021 with differentiated brand offerings.

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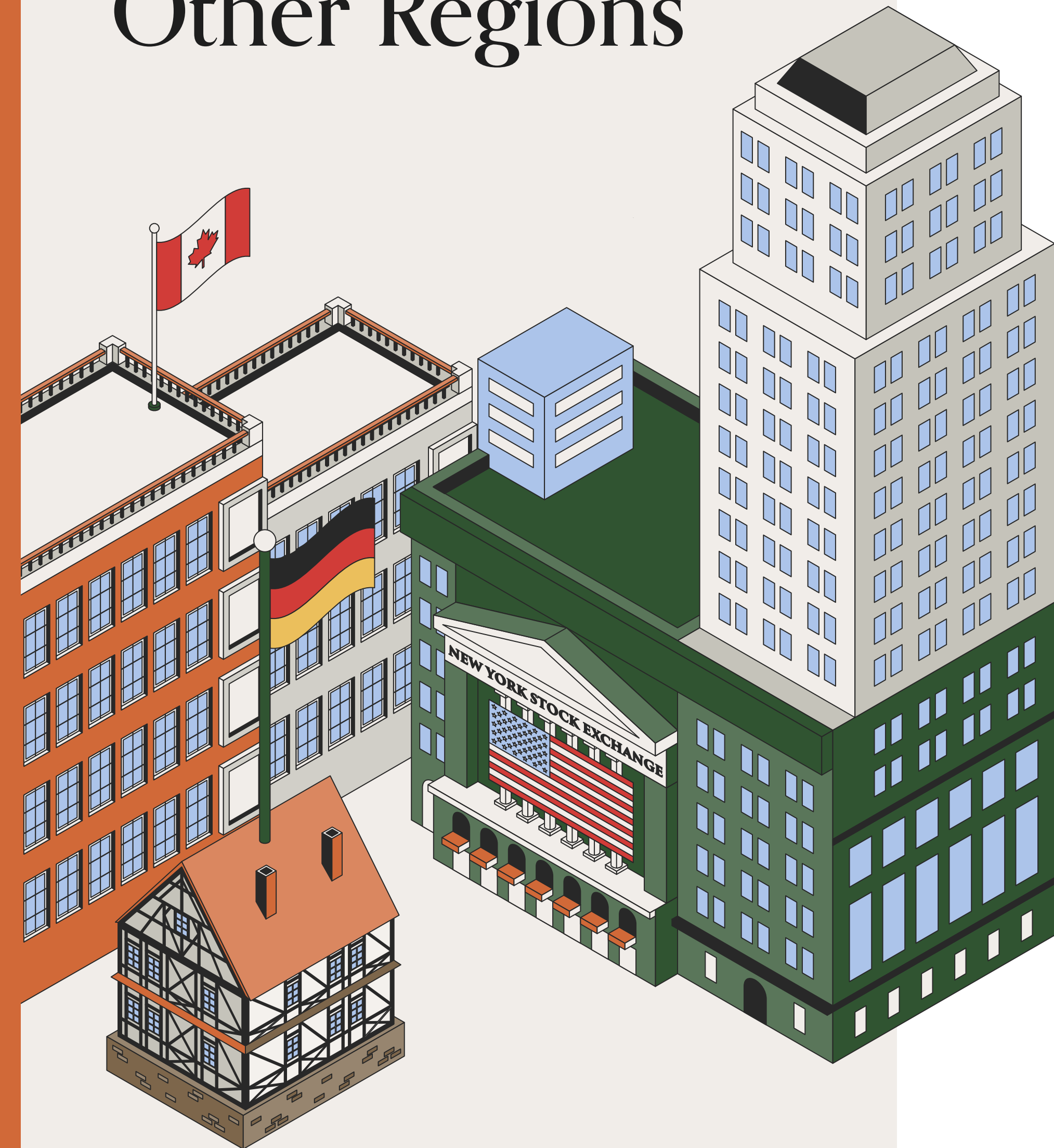
Being backed by Beckham and DB Ventures carries a huge amount of prestige and attracted the right kind of attention. Beckham is personally known for his professionalism, the longevity of his career and the fact that he got there through hard work - so it was the right kind of brand association for us. In combination with the LSE main market listing, it was a compelling combination to garner interest and attract staff talent.

We worked with Primary Bid to enable over 6000 ordinary retail investors to get access to the IPO at the same placing price as the institutions. It's something we're very proud of - as a consumer facing business, it's fantastic to have the opportunity for your backers to also be your potential customers and advocates, and to be part of the journey from the very beginning.

ALEXIS ABRAHAM, CELLULAR GOODS

#### 4. PUBLIC MARKETS

# Other Regions



### GERMANY

A handful of cannabis companies have been attracted to Germany's exchanges, partly due to its status as Europe's largest medical market.

#### DÜSSELDORF STOCK EXCHANGE (DUS)

The pharmaceutical distributor and medical cannabis manufacturer Cannovum listed on the Düsseldorf Stock Exchange in May 2021, the first German cannabis company to list in Germany.

#### FRANKFURT STOCK EXCHANGE (FWB®)

The Frankfurt Stock Exchange is home to dual-listings and triple-listings for some of the world's largest cannabis companies, often due to investors' desire to broaden the number of markets that shares can trade on for further liquidity.



We are aware of a previous intended IPO by a foreign issuer, who wanted to broaden their European market coverage by relocating in Germany and list on the Frankfurt exchange, given that Germany was larger than their home market. Very large prestigious international banks in Frankfurt had given the green light after overcoming compliance issues, signalling the potential for other involvement in the future.

DR ROLAND MAASS, DLA GERMANY

### NORTH AMERICA

Several European cannabis companies sought out international status through listing on North American exchanges.

#### NASDAQ

GW Pharmaceuticals uplisted to NASDAQ in May 2013, successfully raising €26.3 million through the listing. The company was initially listed on the LSE's Alternative Investment Market (AIM) in 2001.

#### OTC MARKETS

The Swiss cannabis cultivation and distribution company Cannabis Swisse Corp listed on the American financial market OTCQX in 2019.

## 5. CROWDFUNDING

# Crowdfunding

“

I consider the decision to finance our expansion via crowdfunding as one of the best business and marketing steps in our company's history. Apart from raising funds, we have built a 900-strong shareholder group that actively supports us, gained a huge media presence and inspired other companies to follow our footsteps.

MACIEJ KOWALSKI, KOMBINAT KONOPNY

A surge of European cannabis companies have raised capital through crowdfunding platforms - Seedrs, Crowdfunder, and Nextfin have all hosted successful cannabis fundraises. Every single cannabis campaign on the Seedrs platform fully met its target raise amount.

Crowdfunding is particularly relevant and beneficial for the cannabis sector due to pent-up retail investor interest and muted institutional involvement, allowing European cannabis companies to raise capital while leveraging retail investor excitement. Similarly, cannabis companies have performed well through Primary Bid, which enables retail investors to access public fundraises and IPOs.

Aside from the financial upsides, companies explore crowdfunding to garner publicity and build brand evangelists and a community from loyal customers. Wellness consumers and medical cannabis patients can directly invest in companies whose products they routinely use.

Companies should consider how well their newly-acquired crowdfunding investors fit with their long-term intentions. Although listing on public markets following a crowdfunding raise is a tried and tested process, it can cause volatile share price swings in companies with primarily retail investors due to the lack of longer-term support from a strong institutional base.

## ALPHAGREEN GROUP

The CBD marketplace Alphagreen Group closed the largest European cannabis crowdfunding campaign to date in April 2021, raising €2.97 million at a €11.7 million pre-money valuation, of which €0.94 million was raised through Seedrs.

“

We were attracted by the community aspect and PR exposure. We had 700 investors, many of which were loyal customers, able to invest as little as 53 pounds. I believe the best use cases for crowdfunding are if you have committed capital, or if you come in at a low valuation with no committed capital.

ALEXEJ PIKOVSKY, ALPHAGREEN





5. CROWDFUNDING

# European Cannabis Crowdfunding Campaigns

THE CROWDFUNDING PLATFORM SEEDRS PROVIDED INSIGHTS INTO HOW SUCCESSFUL CANNABIS COMPANIES HAVE BEEN ON THE PLATFORM.

€6.32m

raised from 6 cannabis companies through Seedrs

100%

success rate from every CBD/ Medicinal Cannabis company that has gone on the platform.

4 VS 2

4 wellness v 2 medicinal companies have used the platform

€1.05m

average (mean) amount raised by cannabis companies

60%

Average raised as cornerstone

510

average number of investors into cannabis companies

€7.02m

mean average amount raised by cannabis companies

COMPANY	CATEGORY	HQ	VALUATION (EUR)	TARGET (EUR)	RAISED (EUR)	INVESTORS	% FUNDED	PLATFORM
ALPHAGREEN	Wellness	UK	11,701,458	1,170,047	2,967,617	694	195%	Seedrs
AVIDA GLOBAL	Medical	UK	18,078,559	1,170,004	1,874,087	555	162%	Seedrs
VOYAGER CBD	Wellness	UK	1,375,438	204,751	1,137,385	300	499%	Seedrs
KOMBINAT KONOPNY	Industrial Hemp	Poland		924,000	924,000	895	100%	Crowdway
NORDIC OIL	Wellness	Netherlands	89,000,000	1,170,005	864,842	277	73%	Seedrs
KLORIS	Wellness	UK	7,139,340	292,507	391,831	282	132%	Seedrs
CANNABREW	Wellness	UK	1,112,775	175,500	259,758	220	133%	Seedrs
JERSEY HEMP	Industrial Hemp	UK		1,170,000				Seedrs

Completed
Ongoing
Upcoming

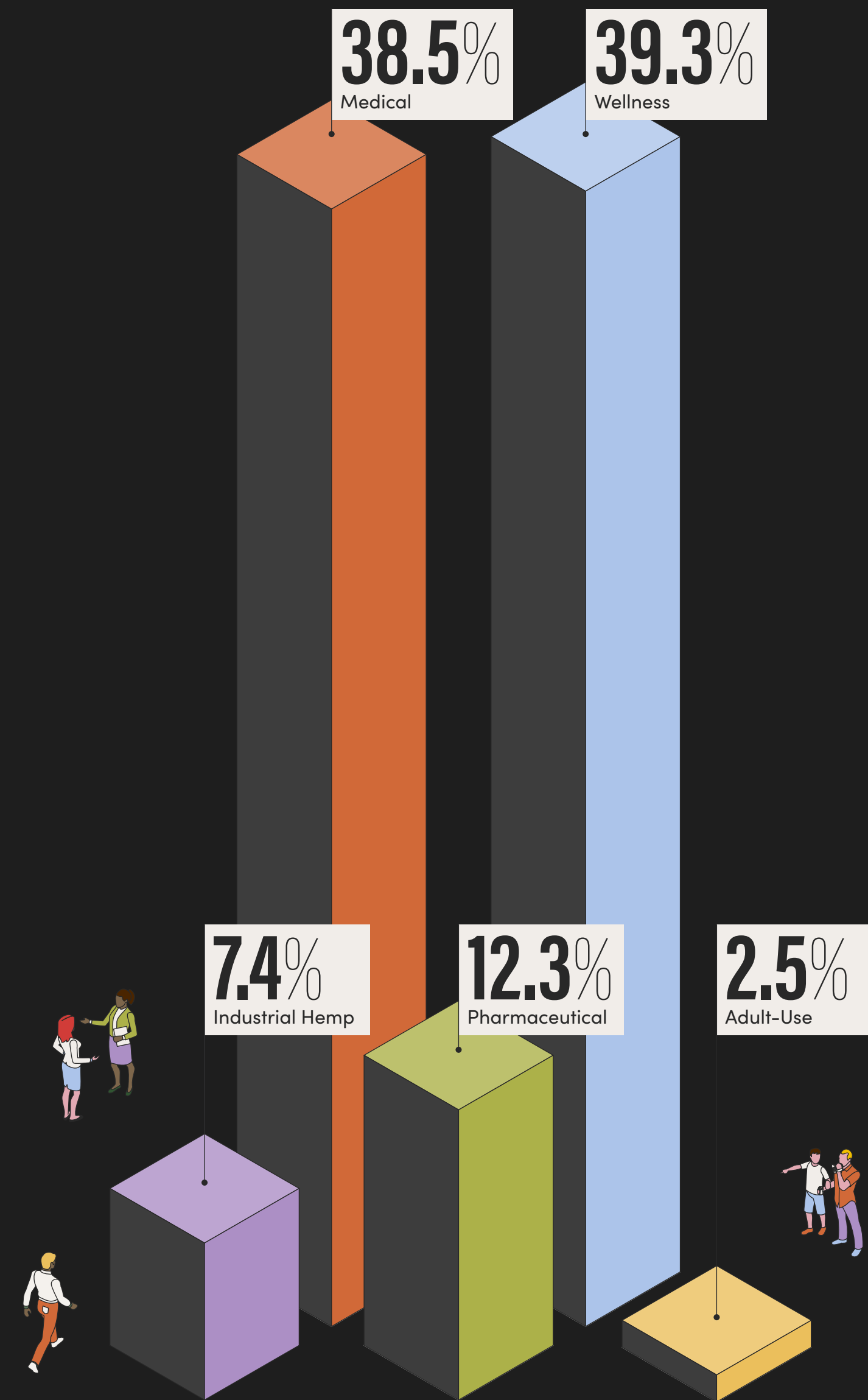


100% success rate from every cannabis company on the platform

The majority of cannabis crowdfunding campaigns secured cornerstone investment prior to going live through the platform to build momentum. Out of the cannabis companies that raised through the Seedrs platform, an average of 60% of the total funding value was pre-committed cornerstone investment.

The CBD craft beer brand Cannabrew was a notable exception, raising €260k entirely through Seedrs with a comparatively low valuation of €1.13 million. Highly anticipated crowdfunding deals coming to the platform in the near future include British biopharmaceutical company, Grow.

# Activity by Subsector



DATA SOURCE: [crunchbase](#)

# Wellness

The CBD wellness market has captured greater investor attention in Europe than in North America due to the lack of commercial adult-use opportunities. Currently, the wellness segment is one of the only places where companies can build brands and directly market to consumers - with distinctly European multi-country and multi-channel brands now emerging.

The wellness sector garnered less interest from investors when companies were typically small, very locally focused, and often semi non-compliant. The multitude of regulatory quirks and CBD's status as an unapproved novel food prevented serious investment from pouring in.

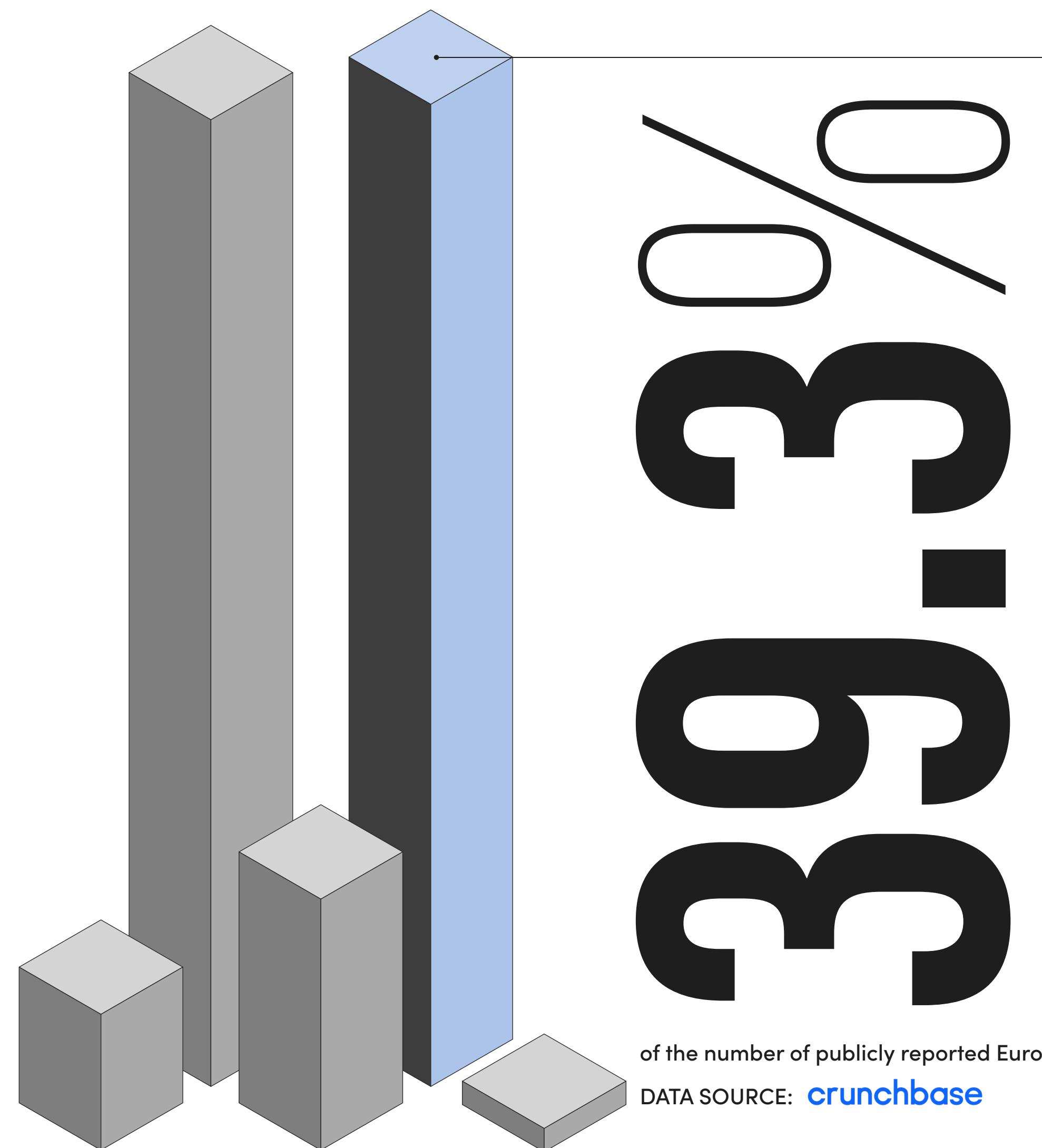
We are now seeing companies generating real revenues in the wellness segment in a formal, compliant manner. With the UK Food Standards Authority's clear route to compliance and the expectation of reform across the continent, appetite for investment has risen.

CBD brands are now raising far larger amounts than previously, partly due to significantly increasing capital requirements for compliance, marketing investment and

international expansion. TRIP completed the largest European CBD raise to fund its US expansion plans, while Cellular Goods listed as the first consumer cannabinoid company on the London Stock Exchange.

Investors take on significant risk when backing early stage CBD brands due to such high rates of competition and fragmentation in the market. Brands are driving value and the majority of investor interest, with less investment into product innovation and bioavailable formulations at this stage.

With significant interest and early signs of activity from FMCG and CPG companies, it will be interesting to watch which CBD brands have the ability to capture long term value.



of the number of publicly reported European deals  
 DATA SOURCE: [crunchbase](https://www.crunchbase.com)

# Medical

Over the past decade, a domino effect has spread a wave of medical cannabis reform across Europe, with most countries now having some form of medical access. Many look at the European medical landscape in a similar manner to the early days in North America, as a stepping stone to wider cannabis acceptance and investment.

The ability to gain first-mover advantage by investing in European medical cannabis companies for is dwindling, with the sector now highly competitive in terms of new business entry.

Investment opportunities in the medical segment are currently capped by the market's nascency, low patient numbers per capita and long revenue horizons. The market is in a position where demand levels are too low in relation to the number of operators looking to supply the market, and significant consolidation is set to take place among those with sensible long-term strategies.

As global operators are increasingly eager to break into the European market, vertically integrated European outfits are well-placed acquisition targets for turnkey market entry strategies, following in the footsteps of the largest US MSO Curaleaf's acquisition of EMMAC.

Pure play medical companies require significant amounts of capital due to the high regulatory and technical barriers to entry. Sizable capital expenditure is needed to construct and fit out facilities to EU-GMP standard and to implement successful market activation strategies, which we expect to see play out on the public markets over the next few years.

**“Growth rates are expected to hold through 2025, as two key bottlenecks over the past two years are being resolved - the lack of supply and production capacity, and low patient uptake due to increased physician education and funding.”**

DAVID BONNIER, ENEXIS AB



# Pharma

Developing cannabis-derived licenced pharmaceuticals (products that go through clinical trials for regulatory approval as a licenced medicine) has attracted steady interest from even heavily cautious investors.

The sector presents a strong long-term opportunity compared to the intermediary unlicenced medical sector. As more pharmaceutical products backed by clinical research become licenced, we expect to see wider regulatory acceptance, healthcare endorsement and insurance coverage of cannabis treatments.

Jazz Pharmaceuticals' acquisition of GW Pharmaceuticals sparked renewed interest

from pharmaceutical operators, paving the way for further M&A activity for IP, and drug co-development partnerships with cannabis companies.

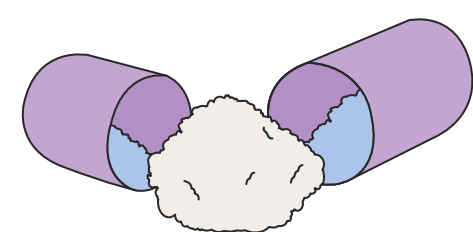
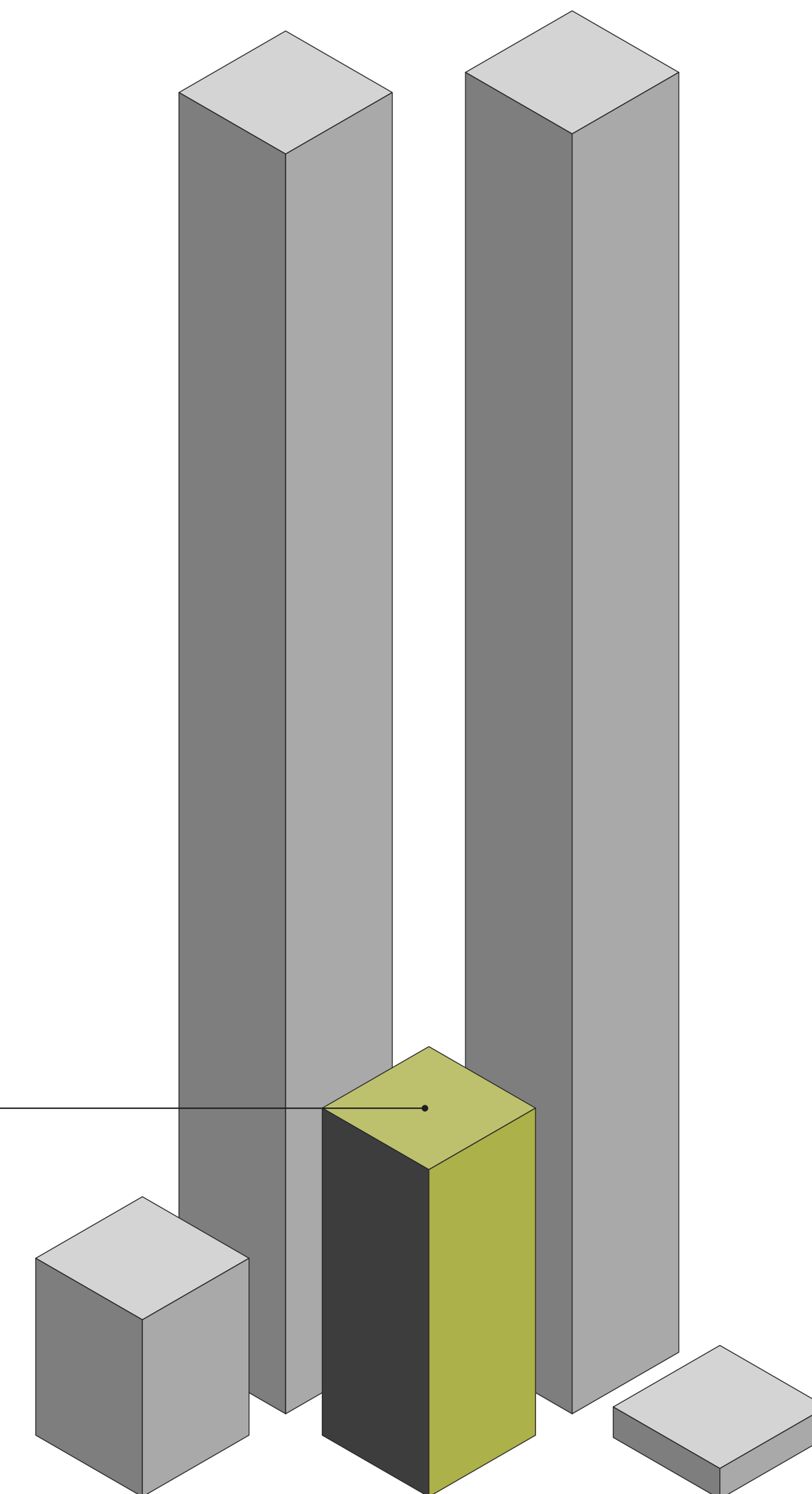
The acquisition demonstrated the potential for large scale exits and the huge financial upside to full marketing authorisations, with Oxford Cannabinoid Technologies intending to replicate their successes within pain treatments.

Pharmaceutical development has attracted significantly lower competition from current medical cannabis operators than the development of unlicenced medical products. Investment has flowed into companies producing active pharmaceutical ingredients

(APIs) synthetically or semi-synthetically, including Brains Bioceutical and Octarine Bio.

Multiple companies have expanded their product portfolios to include dronabinol, with Canopy Growth's notable acquisition of C<sup>3</sup> from Bionorica Ethics in 2019 testament to its importance in the European market.

Pharmaceutical wholesalers and distributors have been acquired across Europe for their ability to distribute controlled narcotics, with M&A activity heavily concentrated in this area in Germany.



# 12.3%

of the number of publicly reported European deals  
DATA SOURCE: [crunchbase](#)

# Industrial Hemp

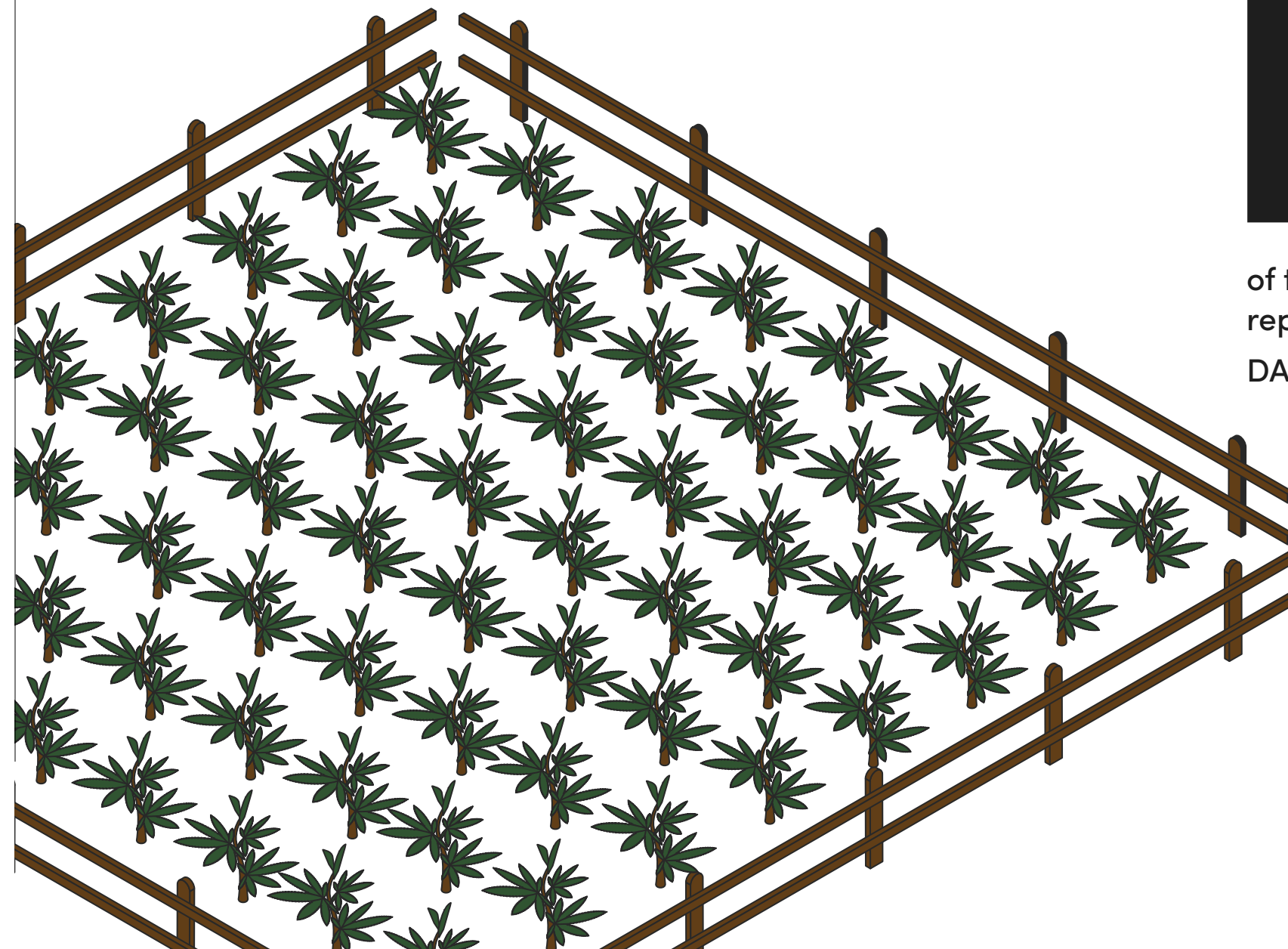
Although a smaller amount of investment has flowed into the industrial hemp vertical to date, it presents an upcoming opportunity for cautious private equity firms and institutions to dip their toes in the cannabis sector. We are aware of growing interest among investors focused on sustainable investments and environmental credentials, and from blue chip companies looking to offset their carbon footprint.

Industrial hemp investment was boosted by CBD's rise to prominence in Europe, with international cannabis companies looking to acquire European production and seed to sale operations. In 2018, Aurora acquired the Lithuanian hemp producer Agropuro UAB and distributor Borela UAB, while Canopy Rivers acquired a stake in Italian-based Canapar before divesting it to RAMM Pharma in 2020.

Regulatory and market developments since 2018 have resulted in stronger investor interest in later stages of the hemp supply chain, rather than cultivation at scale. Hemp cultivators must now compete with lower cost hemp imports flooding the market following the US Farm Bill's passing in 2018, and a backdrop of uncertainty as the European Commission looked set to restrict plant-derived CBD.

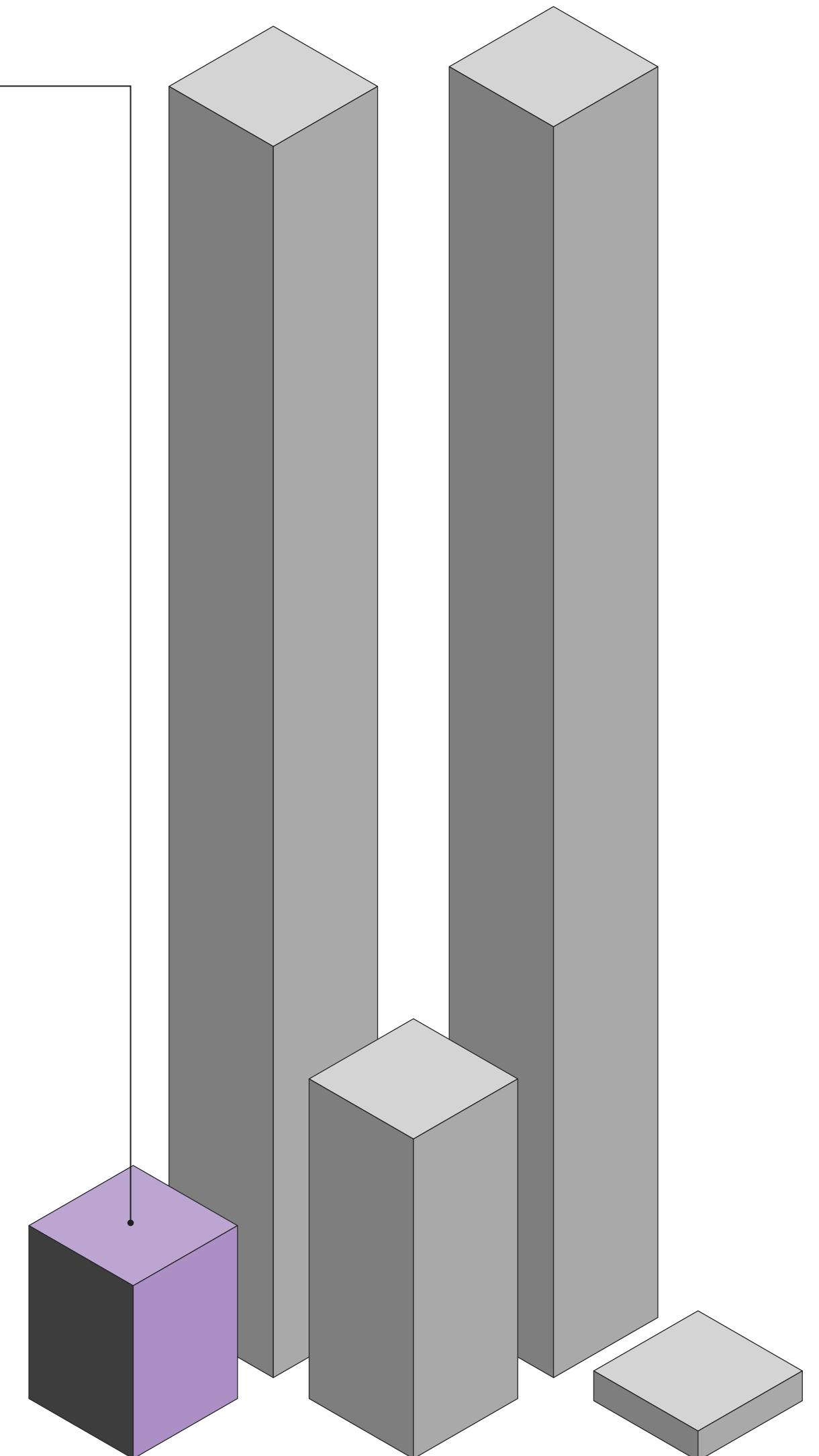
Successful hemp operators are typically specialised, focusing on a specific composite for the construction sector, proprietary harvesting and production technologies, or hemp-derived textiles.

We expect to see increasing capital requirements from European hemp companies as many look to build and scale processing infrastructure to transform hemp biomass into value-add outputs.



# 74%

of the number of publicly reported European deals  
DATA SOURCE: [crunchbase](#)



# Adult-Use

A subset of European cannabis companies are built with plans to pivot from medical or wellness to adult-use operations once regulations permit, while other companies explore the ancillary accessories sector in preparation.

The adult-use sector in Europe is set to comprise highly localised markets, adopting closed loop systems with domestic production due to the international prohibition of adult-use exports under United Nation treaties. As Switzerland and Luxembourg are set to introduce legal markets, alongside rumours of Germany and Portugal, we expect to see a resurgence of the 'MSO-style' model, as Europe contends with similar cross border challenges to US.

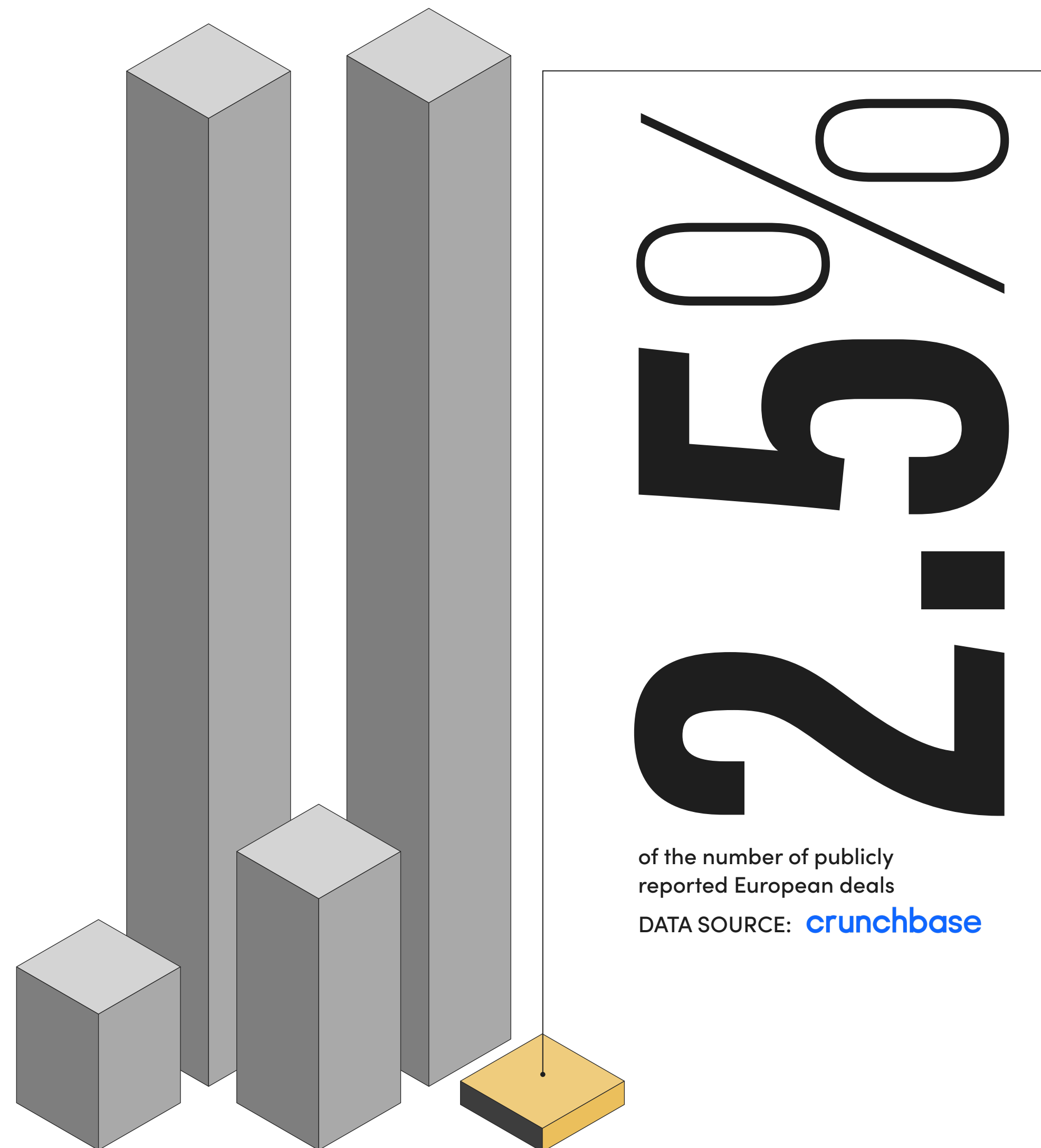
Regulated adult-use cannabis markets present the strongest potential opportunity set for investment due to the sheer scale of potential consumer demand if legal access was rolled out across Europe, compared to current medical production and infrastructure requirements.

The total size of the European cannabis market could easily increase tenfold - while medical cannabis is only accessible in Europe

by those with certain indications, every adult is a potential consumer in adult-use markets.

To operate in the medical segment, companies must put a disproportionate amount of capital in place for a market that doesn't fully exist yet to gain first-mover advantage. The adult-use opportunity is different to any other industry, with the ability to invest in a first mover where proven, established markets and demand already exist.

The Dutch trial programme to move participating coffee shops to licenced commercial suppliers garnered strong investment interest. The estimated wholesale market size for the initial experiment is up to €200m - eclipsing the total European medical cannabis wholesale market of around €48m - and over €1bn if legislation is updated to include supply to all coffee shops nationwide.



# European deals by stage of the value chain



DATA SOURCE: [crunchbase](#)



# Hanway Insights: Value Chain Trends

- **Vertical integration vs specialisation:** US operators are forced by regulation in most states to be vertically integrated, but European companies have the opportunity to advance innovations through their ability to specialise and focus.
- **European focus:** We have seen a greater focus on healthcare, data and technology-driven cannabis operations at an earlier stage of industry growth than in North America, where cultivation ventures drove early interest.
- **Investor preferences:** Each area of the value chain carries a different risk and return profile. Despite many overlaps, typical investor profiles vary between the medical and wellness sectors. Cannabis savvy investors often look closer at the route to patients and consumers rather than production.
- **Intangible assets:** We have seen increasing focus on IP and patents in medical and pharmaceutical sectors - and increasing priority given to brands and formulation IP, rather than companies having control over the whole supply chain in the consumer CBD segment.
- **Cultivation:** A limited number of cultivation businesses have listed on public exchanges. Regulators have been cautious due to potential for exposure to adult-use operations, often requiring heavier vetting and strict auditing than non-plant touching operations.
- **Processing & extraction:** Downstream processing and extraction operations have added potential for value creation, requiring specific skillsets and enabling companies to generate IP.
- **Synthetic production:** Synthetic production methods are now becoming commercially viable at scale, requiring significant capex for R&D before major revenues are likely to be seen.

“

**We've noticed more players enter specialised areas as the sector has matured. Companies with a focus on vertical integration typically have external funding to be able to afford to finance acquisitions and scale plays.**

PETER MAX, GEMSTONE CAPITAL

“

**We were looking to acquire a German medical cannabis distributor. A lot of the companies at the time were relatively similar to one another - beyond holding the required licences, there was often no meaningful point of difference. Most were relying heavily on their Bedrocan allocation and otherwise had a standard infrastructural set up.**

**The decision came down to how we would operationalise the asset. We chose to acquire Cannaktiv as it came with an impressive operational team in Germany who were ready to execute on our combined vision.**

NICK PATERAS, MATERIA

# Regional Analysis

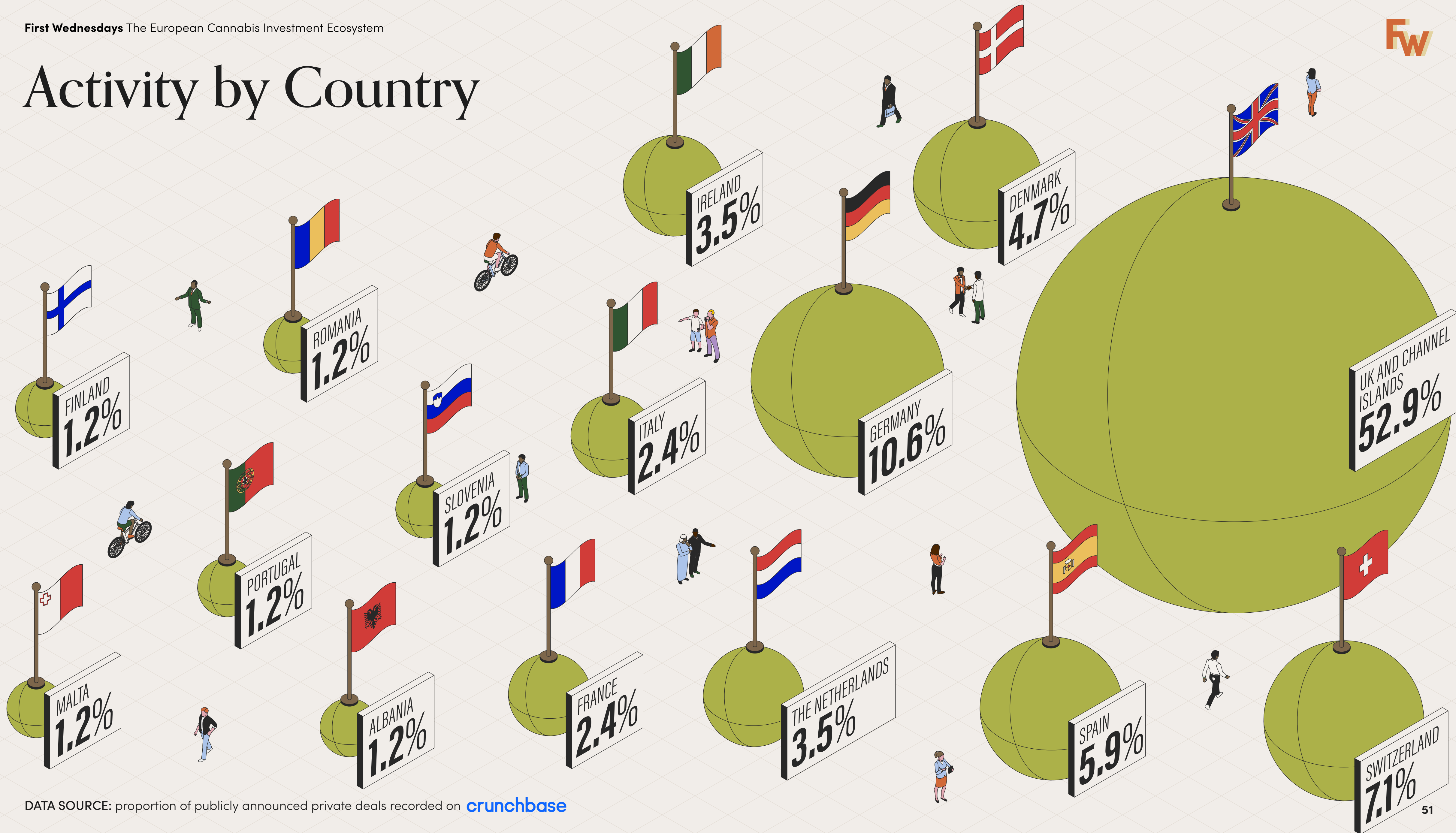


DLA Piper is a global law firm with in depth local knowledge. With over 90 offices in 40 countries we offer the full range of legal services across the world and across the entire corporate life-cycle. As a leading participant in the nascent cannabis industry we have the experience and scope to advise companies of all sizes wherever they are on their corporate journey, from start-ups to private and public fundraisings, through to acquisitions and post-merger, we are there to help clients navigate through this rapidly changing environment.

High growth companies operating in rapidly evolving sectors, such as cannabis, attract an enormous regulatory burden. This is why our dedicated practice covers a wide range of disciplines; corporate (both private and public financings, M&A and board advisory), regulatory (both life sciences and financial), intellectual property, technology and R&D, employment, real estate and litigation services. The practice also acts across every segment of the pharmaceutical, biopharmaceutical, wellness and medicinal sectors internationally.

The size, importance and growth of the global cannabis market is now unquestionable and we are truly excited to be at the forefront of the industry's development. Our regional experts from our Global Cannabis Practice are delighted to be included within this report and to be able to share their legal insights, providing their perspectives on notable deals and on the views of local regulators, investors, financial advisors and other stakeholders.

# Activity by Country



DATA SOURCE: proportion of publicly announced private deals recorded on [crunchbase](https://www.crunchbase.com)

# BRITISH ISLES



The UK has the highest publicly reported value of cannabis deals according to Crunchbase data, boosted by its status as Europe's largest CBD market and its growing medical cannabis patient base and infrastructure.

A flurry of interest in the UK sector emerged following the Financial Conduct Authority's announcement that both UK and overseas cannabis companies could be listed on the London Stock Exchange (LSE), given that the City of London is renowned for its robust financial ecosystem and is a leading corporate advisor to wider Europe.

Multiple cannabis companies have capitalised on the deep pools of liquidity in the UK and the reputational advantages of listing on the London market, enjoying a series of oversubscribed listings.

Meanwhile, a nascent cannabis industry with untapped potential is developing in Ireland, while the Channel Islands are dipping their toes into commercial medical cannabis production and drafting regulations to overcome the barriers of the Proceeds of Crime Act.

# United Kingdom

## OVERVIEW

The Financial Conduct Authority (FCA) announced in September 2020 that both UK and overseas cannabis companies could be listed on the Official List, provided that activities are either licenced or would be legal in the UK and that the Proceeds of Crime Act does not apply.

Previously, cannabis companies looking towards a public listing had few choices – such as the Scandinavian or North American exchanges. The LSE is now home to multiple cannabis companies following a chain of oversubscribed listings, turning the country into a centre of gravity for companies to go public and creating a buzz for cannabis investment.

The majority of cannabis investment in the UK has been through angels and high net worths, with increasing family office involvement. Although most institutional funds are not actively investing yet, many have been attending industry events and developing sector knowledge in preparation.

## REGULATORY IMPACTS ON INVESTMENT

The UK operates a separate, parallel Novel Foods process to Europe. Clarity from the UK Food Standards Agency and a clear route to compliance has positioned the UK as a hub for CBD investment. Products awaiting approval are permitted to remain on the market in the UK, whereas across most of Europe they would be classified as unapproved novel foods. This confidence has enabled CBD companies to compliantly list on public markets and raise capital from sophisticated investors.

→ The size of the UK cannabis market is currently stifled by restrictive policies on the production and use of medical cannabis and hemp. Potential reforms are, however, a feasible prospect over the coming years, as proposals from the Taskforce for Innovation, Growth and Regulatory Reform discuss the benefits of expanding the UK cannabis sector are currently being considered by the UK Government.

→ The Home Office licencing process for cannabis cultivation was changed in late 2020 to require applications to complete a significant portion of the MHRA facility licensing process before applying for a Home Office cannabis licence. This additional regulatory hurdle causes a significant increased risk to building facilities in the UK, leading to a decline in investment interest and a shift of focus to the Channel Islands, where separate policies are implemented.

→ Changes to the permitted level of THC in CBD-containing consumer products is expected later this year, with the government intending to introduce to a percentage-based threshold.



# Proceeds Of Crime Act

Although legislation to combat money laundering and terrorism financing is in place across the majority of Europe, the UK Proceeds of Crime Act 2002 (POCA) creates the strongest barrier to European cannabis investment at present. Unlike most other national laws, POCA has extra-territorial effect and covers operations carried out overseas.

POCA prohibits companies or individuals from spending earnings that have been raised through operations contravening UK law, even if the activity was carried out legally in the other country.

Cannabis-derived revenues can be considered 'criminal property' if conduct would constitute an offence in any part of the UK if it occurred there, restricting support from the banking and finance sector and preventing investment in overseas companies with adult-use assets.

UK investors in companies (including listed companies) based in countries that have fully legalised the production, sale and use of cannabis products are at risk of breaching the UK's anti-money laundering laws.

The assessment made by financial services providers is that the current POCA legislation requires updating as it was not designed to apply to normal business activity, and there is a clear argument that activities carried out under licence should not be treated as unlawful.



“

**As the War on Drugs continues to unwind and global policies catch up to the societal and economic reality that cannabis is part of the solution in a post-pandemic world—really, in any world—we expect the rest of the world to phase into the industry similar to how we saw individual states legalize the U.S from the inside-out.**

TODD HARRISON, CB1 CAPITAL MANAGEMENT

# What are the impacts on cannabis investment?

- As adult-use proceeds are considered to be proceeds of crime by the Financial Conduct Authority, securities with adult-use operations cannot be listed on the Official List in the UK. This restricts companies that otherwise might be able to list on the LSE but have an adult-use asset.
- Many funds are still unsure whether the FCA has given full approval to cannabis companies yet, and remain cautious due to POCA concerns. POCA has reportedly been used as an excuse by funds to defend why they are unwilling to invest in cannabis companies, to disguise internal barriers or stigmas.
- UK investors may be inadvertently exposed to POCA if they invested in a fund or company that moves into the cannabis space.
- Some stock brokers and spread betting firms have reportedly blocked individuals from investing in Canadian licenced producers with adult-use operations as a result of POCA.
- POCA has led to investor caution for consumer CBD companies, especially given CBD's status as an unapproved Novel Food across most of Europe.

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**POCA is undoubtedly something that we have to consider every single time we look at any opportunity. There are many opportunities that we can't even look at because they wouldn't be fit for the fund and the way that we're regulated.**

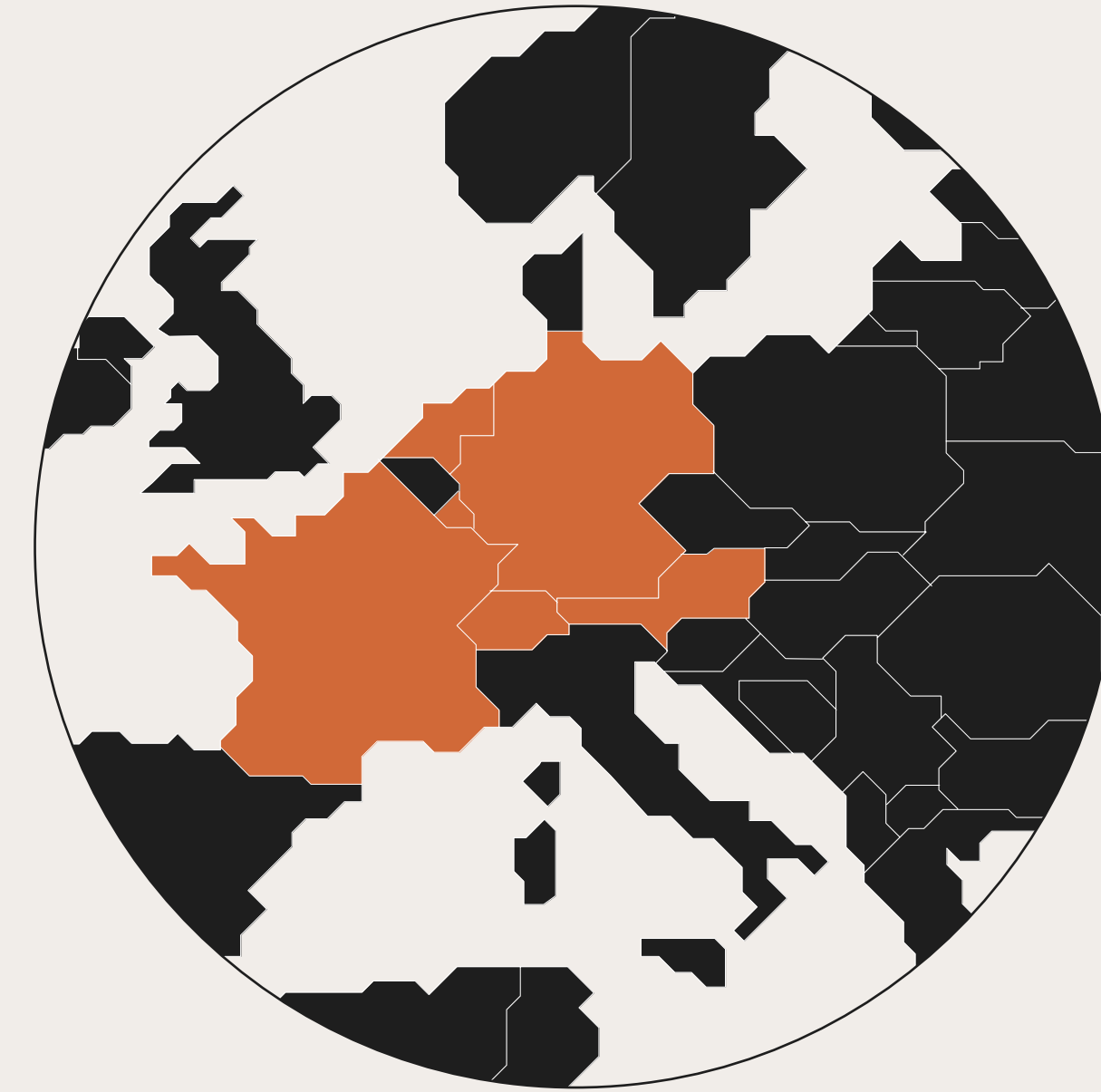
ED MCDERMOTT, SEED INNOVATIONS

“  
**It's been a real shame that POCA has stood in the way of some U.K. investors' confidence in this industry - more so because it's not a question of government policy but of a law that wasn't designed for this purpose.**

JOHN BINNS, BCL SOLICITORS



# WESTERN EUROPE



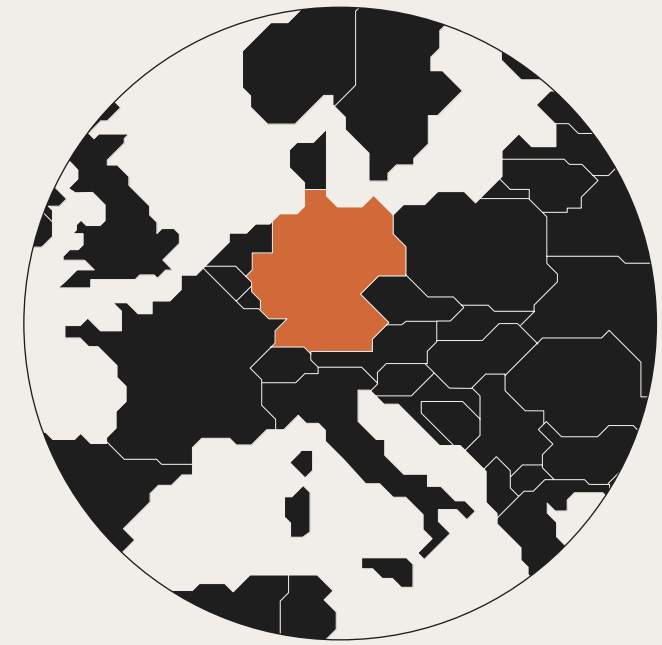
Aside from the British Isles, Western Europe has the highest rates of cannabis deal activity and is home to the most robust medical cannabis markets in Europe. While the Netherlands paved the way with Europe's first medical cannabis sales in 2003, Germany has steamed ahead as the European behemoth representing a significant chunk of total European patients and demand. Germany has been the focus of significant investment activity due to its comparatively mature, operational market and the potential to hit revenue targets unlike in markets with slower uptake.

Adult-use access has been a hot topic in Western Europe, with Luxembourg set to fully legalise by the end of 2023, Switzerland implementing pilot experiments across its cantons, and the Netherlands introducing licenced, legal production to shift its coffeeshops from illicit market supply. Momentum is also building in France and Germany, where political movements may bring closer attention to the debate. This has caught the eye of investors who are keen to replicate the successes of North American adult-use markets by getting an early foothold in Europe.

Although consumer CBD products exist in a complex and often unclear regulatory environment across Western Europe, sophisticated players have captured the attention of investors who see promise in their branding, product innovations and consumer strategies - such as the French cannabis tech startup Rainbow, which raised €3m across two funding rounds to launch consumer brands.



# Germany



## OVERVIEW

Germany is Europe's largest cannabis market, and represents the majority of European bulk flower and oil demand to supply an estimated 60 to 80 thousand patients. The German market is highly competitive and attractive to investors due to its position as the most robust operational medical cannabis market in Europe. The size of the market has been bolstered by a strong state reimbursement system, helping to facilitate the country's large patient base.

The competitive tender to award companies licences to domestically produce cannabis sparked significant interest and investment from foreign operators, who were eager to gain market share and a guaranteed offtake agreement from the state.

German operators have been the target of substantial M&A activity as companies look to gain a foothold in the growing market, particularly concentrated in the distribution segment. International players have forged joint ventures with German healthcare companies while others have established subsidiaries to capitalise on the thriving market.

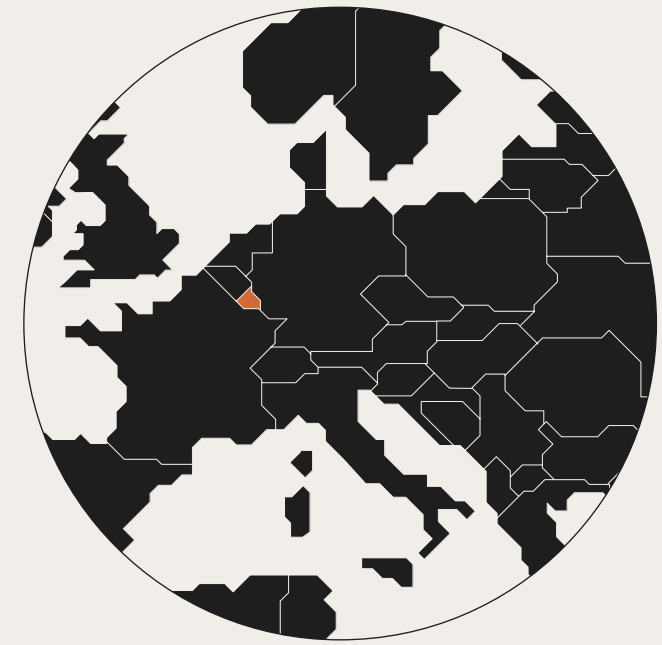
Aside from its dominant medical market, Germany has a developing consumer CBD sector fuelled by local preferences for natural and herbal remedies. However, investment opportunities have been limited by ongoing regulatory uncertainty about the status of CBD as a novel food; currently, many ingestible products are labelled as non-edible to circumvent approvals.



## REGULATORY IMPACTS ON INVESTMENT

- Novel Foods creates a barrier to wider investment into the wellness sector. There are currently no fully compliant ingestible products in Germany and financial services providers are cautious about the varying approaches from local authorities across Germany's 16 federal states in terms of enforcement and sanctions.
- Some wellness products on the market are now classified as narcotics due to non-compliance with THC limits, placing marketers and importers at risk, and creating uncertainty as some regional regulators issue administrative or criminal offences as sanctions.
- A potential movement to liberalise the market is expected in the upcoming federal elections in September. Dominant parties have expressed intentions to revisit regulations in the medical sector, with potential adult-use reform also on the horizon. Further developments in the consumer CBD sector are also expected.
- Currently, different federal states hold conflicting interpretations about whether medical cannabis is classified as an API or a 'medical product', which require EU-GMP standards to be enforced at different parts of the production process. Investment may be concentrated in areas with more lenient conditions, and it is unclear when or whether a federal approach will be implemented.

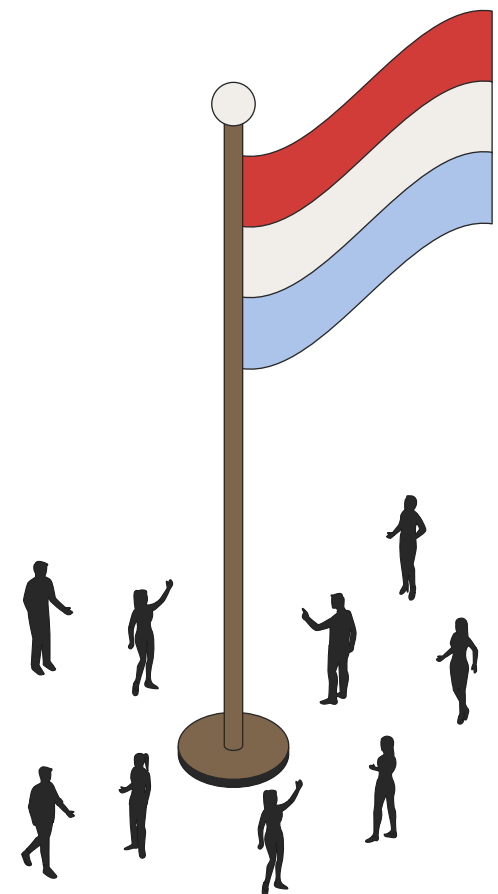
# Luxembourg



## OVERVIEW

Luxembourg's cannabis industry remains in its infancy with few domestic companies at present. However, the country's comparatively progressive regulatory framework presents clear growth opportunities, and global operators are now turning an eye towards upcoming legal adult-use sales.

Luxembourg has enrolled several hundred patients since the introduction of medical cannabis in 2018, which in combination with its miniscule population size gives the country one of the highest medical cannabis consumption rates per capita. Government officials have expressed intentions to extend access to a broader set of medical indications, fuelling further development.



## REGULATORY IMPACTS ON INVESTMENT

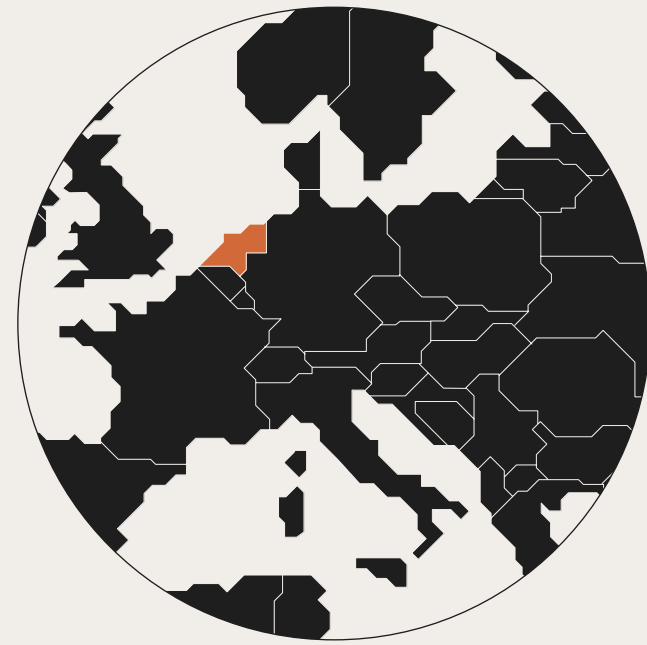
- The current coalition government pledged to legalise adult-use cannabis before the end of their parliamentary term in 2023, which would make Luxembourg one of the only legal, regulated adult-use markets in Europe. An official update on the progress is expected this summer, following parliamentary discussions resuming in May after being de-prioritised due to the Covid-19 pandemic.
- Domestic production is expected to be introduced in the near future, which is set to spark strong inwards investment. The government plans for adult-use cannabis to be grown locally, with the intention of converting a number of farmers to cannabis. Medical cannabis production may be implemented domestically in the long term.
- The framework implemented will significantly impact investment opportunities and the potential size of the market, based on how restrictive policies are about who is entitled to access and in what quantities.



**The government still needs to debate fundamental regulatory policies before implementing the framework. If access is limited to residents, where is the line between actual residents and those who commute everyday from neighbouring countries? This type of discourse raises competition law issues - can a country restrict access to goods to only one part of the population? If products must be domestically produced, is it possible to mandate plant origin in the context of EU membership and non-discrimination agreements?**

DAVID ALEXANDRE,  
DLA PIPER LUXEMBOURG

# The Netherlands



## OVERVIEW

The Netherlands established one of the world's first medical cannabis markets in 2003, positioning itself as the early European production hub with its domestic producer Bedrocan supplying the German market since 2008.

The country's lack of a free market oriented approach to production and comparatively stagnated patient numbers has meant that investment focus in the medical sector has shifted to larger European markets over recent years.

A resurgence of interest in the Dutch market came upon the realisation that it would become one of Europe's first commercially supplied legal adult-use markets. Multiple producers were awarded lots in the government's tender to move certain coffee shops over to licenced legal supply to tackle 'the backdoor problem' where product is currently supplied by illicit market producers.

With total annual coffee shop revenues estimated at over €2 billion, over six times the total European medical market size, we expect to see increasing interest and investment activity if the experiment is extended to cover all coffee shops across the country.



## REGULATORY IMPACTS ON INVESTMENT

- Despite its early moving status, the Netherlands' lack of state reimbursement for patient prescriptions and its readily accessible adult-use market have stifled the potential size of its domestic medical market.
- UK-headquartered companies and individuals are at risk of breaching the Proceeds of Crime Act if they invest in legal adult-use cannabis suppliers in the Netherlands, due the Act's extra jurisdictional effect and the illegal status of adult-use cannabis in the UK.

# Switzerland



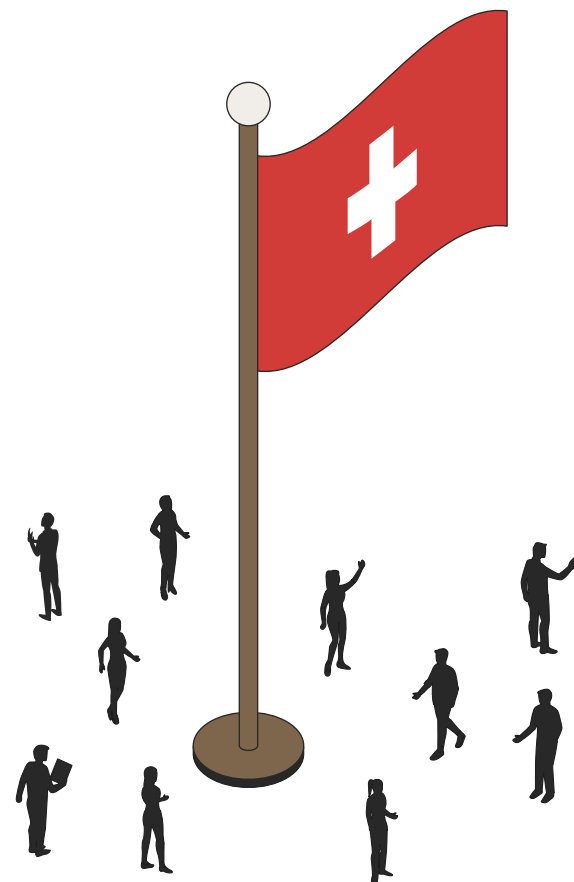
## OVERVIEW

Switzerland has emerged as a hub for brand building and innovation through its permissive 1% THC limit for flower and CBD products.

The vast majority of cannabis deal activity in Switzerland has been within the wellness sector. In 2017, the CBD distribution startup CBD Solution raised €183k seed capital from Business Angels Switzerland (BAS), one of the country's oldest angel networks.

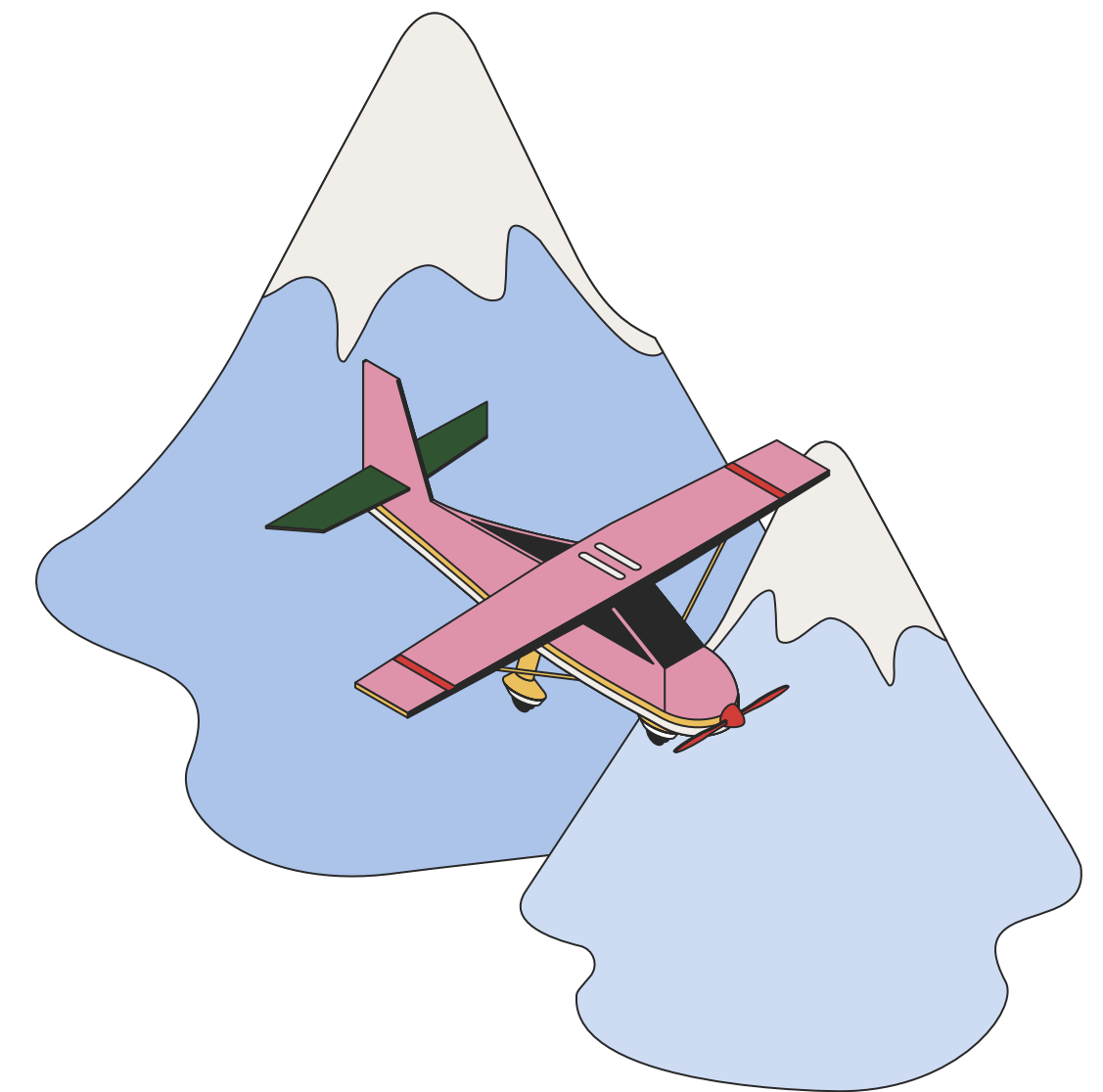
Cannabis Suisse Corp was among the first European cannabis companies to IPO, listing in North America on the OTC market in May 2019. Other Swiss firms have successfully raised private capital, including the consumer brands Mantle, Hempfy, and KannaSwiss and CBD retail business Heidi's Garden.

We expect to see stronger interest in Switzerland's medical and adult-use sectors. Patient numbers are due to expand following upcoming reforms in 2022 and multiple scientific pilot projects are set to kick off to test adult-use cannabis models across the country's cantons, with priority given to Swiss-grown, organic cannabis.



## REGULATORY IMPACTS ON INVESTMENT

- New regulation to enable all doctors to prescribe medical cannabis is set to come into force from mid 2022, after Switzerland's Council of States approved the proposal in March 2021, which local experts believe could increase patient numbers to over 100,000 by 2023.
- The Swiss government's Federal Office of Public Health is not permitted to financially contribute to the adult-use pilot trials, meaning significant private investment will be required to fund trials across the cantons.
- Opportunities for foreign investment are limited by the pilot's preference for locally grown cannabis, but options for product development partnerships remain. The pilot permits all product formats, including edibles and vapes, creating a prime environment to develop and innovate next generation products for European consumers.



# NORTHERN EUROPE

A unique cannabis investment landscape is emerging in Northern Europe, with a focus on bioscience and high-tech innovations.

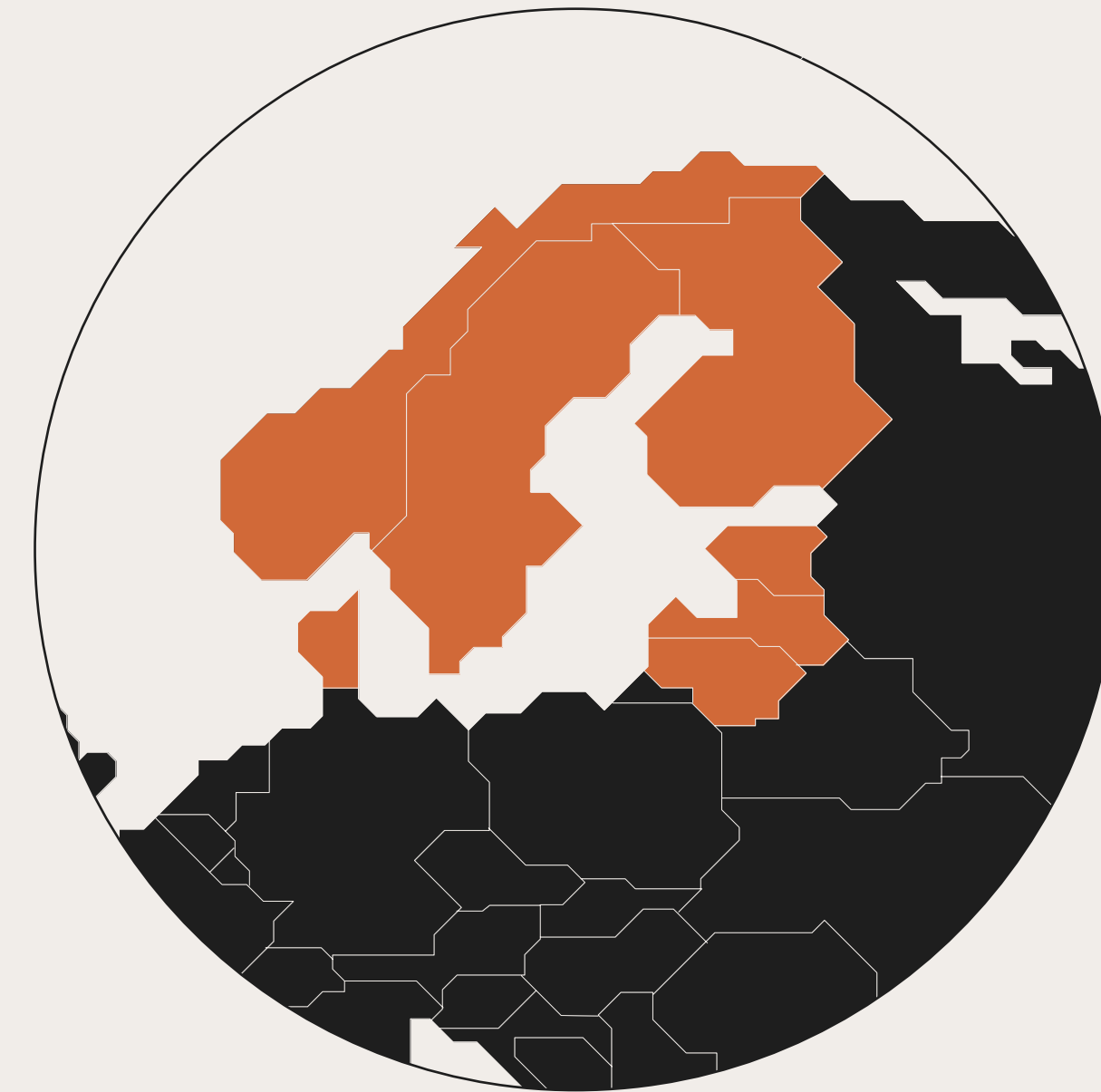
Aside from Denmark, the region lacks robust, operational cannabis sectors and investment activity is stifled by restrictive regulatory policies.

Medical cannabis access in Norway, Sweden and Finland is extremely limited, while in the wellness sector, the Finnish beverage maker YSUB launched a billboard campaign in

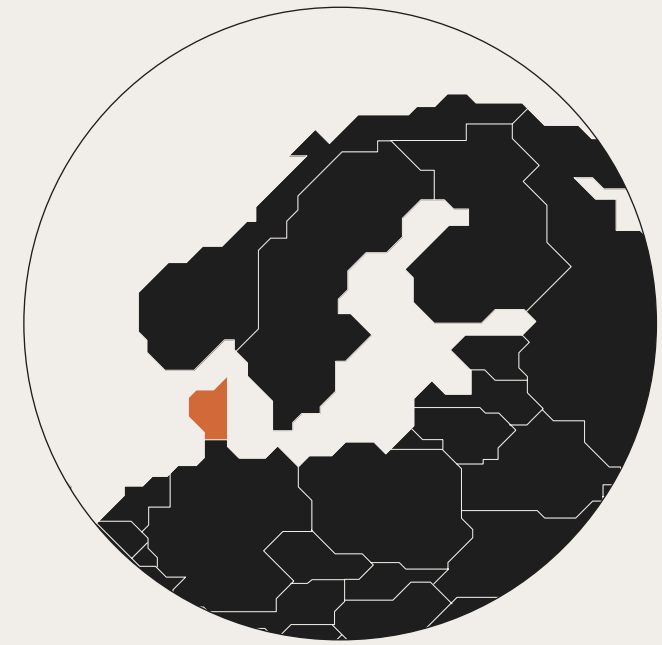
Helsinki to highlight the business and investment opportunities missed from not permitting ingestible CBD sales.

Sweden has a strong financial ecosystem concentrated on corporate advisory, and has sparked significant investment appetite from cannabis companies looking to list on its public markets that offer small mid-cap companies high liquidity. A European cannabis cryptocurrency 'CanCoin' was launched in July 2021 by a Swedish company founded by former crowdfunding executives.

Hemp cultivation, processing and extraction hotspots are emerging in Lithuania, Latvia and Estonia, although public data on investment activity is sparse.



# Denmark



## OVERVIEW

Since introducing dual pilot programs to enable medical cannabis prescription and domestic production, Denmark has become a hub for foreign investment and producers looking for a bridge into Europe.

Danish officials recently extended the two pilots, with production for export confirmed on a permanent basis. The country's horticultural heritage, skilled workforce and trusted systems make it well suited to bulk flower production, while its stringent product approval criteria helps position it well for high quality production.

Rather than a sole focus on flower production, the Danish model emphasises specialisation in extraction, quality control and distribution - positioning the country as a potential manufacturing hub for wider Europe.

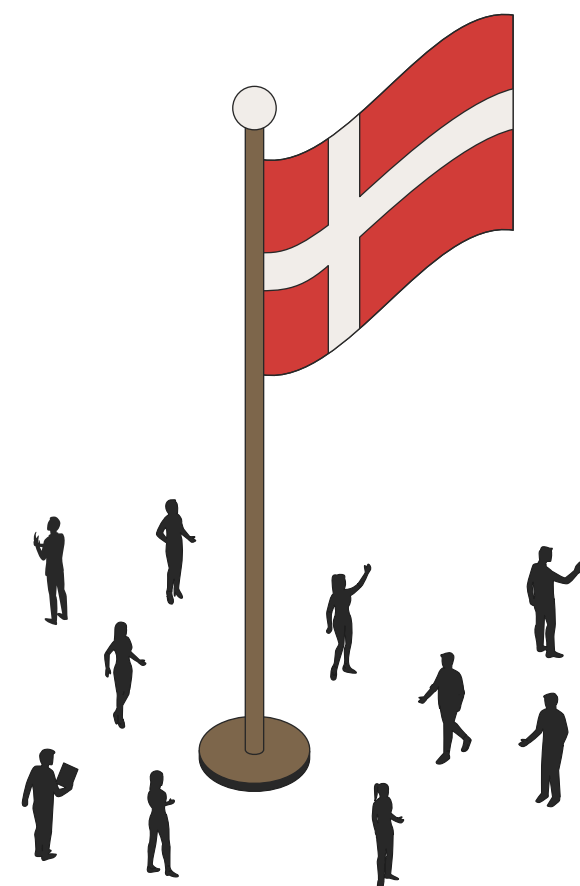
## REGULATORY IMPACTS ON INVESTMENT

- Investment over the past year was hindered by the ambivalent status of the industry after the pilot was set to finish at the end of 2021. While government sources had unofficially confirmed that the pilot would be extended, uncertainty was a blocker until the final confirmation was issued.
- The confirmation appears to have sparked renewed interest and confidence in the market, as Australian producer Little Green Pharma announced soon after the acquisition of Canopy Growth's former facility for €18.2 million.
- Denmark's strict product approval process has meant that despite having issued around 40 cultivation licences, only one of the products being prescribed and sold in Denmark is cultivated in the country - Aurora Nordic's Sedamen soft gel capsules. Domestic production progress has been much slower than many had hoped, leading to some larger players pulling out of the market and scaling back their facilities and production plans.

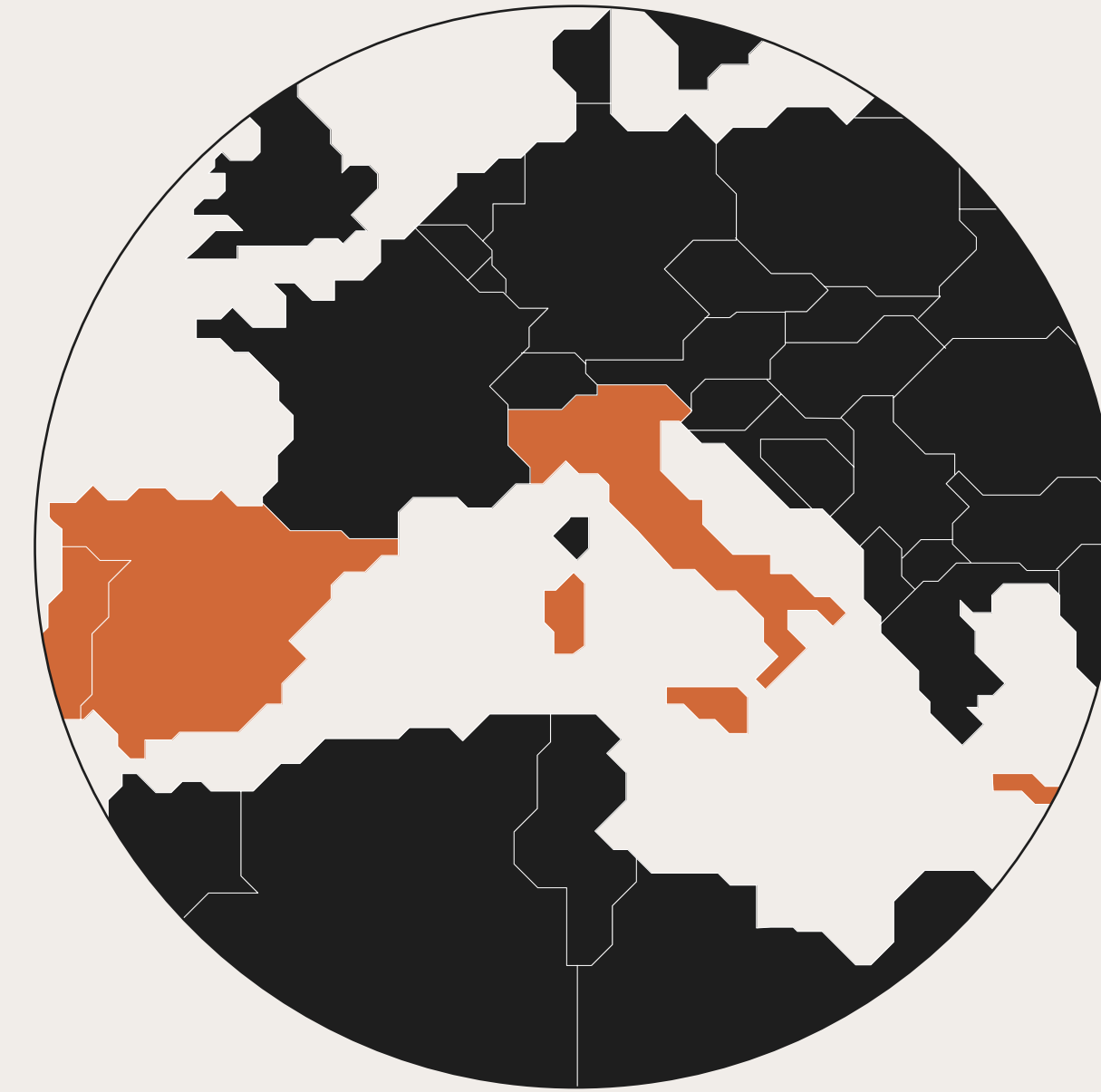


**From a regulatory perspective, Denmark's industry has been strengthened by a political agreement on 25 May 2021 to create a permanent framework for the production of medical cannabis, while patient access has been extended for an additional four year trial basis..**

**DEREK LIGHT, INVEST IN DENMARK**



# SOUTHERN EUROPE



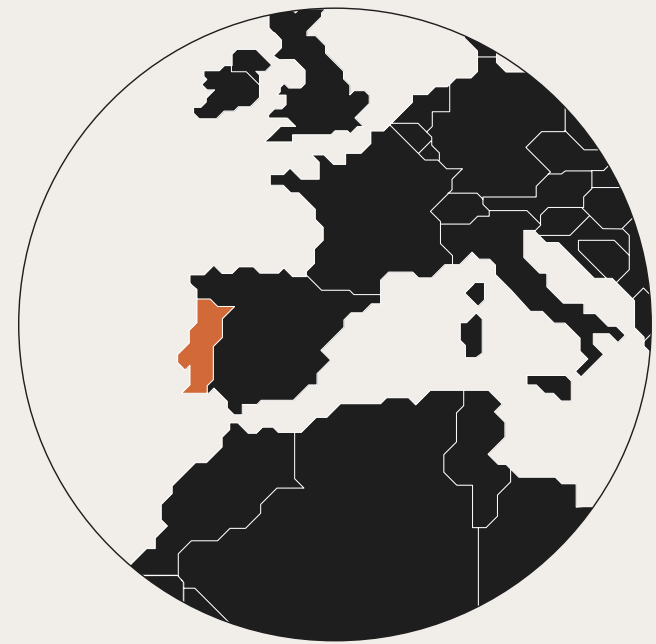
Southern Europe has attracted significant foreign investment due to its temperate climate, opportunities for low cost production and favourable licensing frameworks.

Portugal has emerged as the cultivation investment hotspot for Europe, while Malta has strong promise to act as a 'backdoor' into Europe for companies to transform GACP flower into APIs and extracts for European patient markets.

However, Malta's progress in getting facilities licenced and operational has been slow, leading to many companies reassessing focus or withdrawing from the market.

Investment into Italy has flowed into its hemp and wellness sectors, and while Spain currently lacks a functional patient market, its adult-use social club heritage and upcoming medical reform make it a country to watch closely in years to come.

# Portugal



## OVERVIEW

Portugal has attracted significant interest as a jurisdiction to cultivate cannabis and manufacture products for European supply, thanks to its advantageous climate and low production costs.

Production has primarily targeted export markets, with the country currently lacking a significant domestic patient market. Wider uptake is expected over the next year, however, following the first medical cannabis product approval granted in February 2021.

The state regulator Infarmed's free market approach to issuing licences to a large number of companies for cultivation has enticed serious foreign investment, with reports of over 100 companies at the 'pre-licence' stage and at least 9 fully licenced operators.

The surge in flower production has resulted in growing demand to fund and construct toll extraction facilities to transform GACP flower into APIs for European markets.

As operators become more established and are able to evidence multiple successful harvests and offtake contracts, we expect to see notable M&A activity and consolidation of the number of pre-licence cultivators.



## REGULATORY IMPACTS ON INVESTMENT

- Portugal's domestic patient market is set to expand following a Tilray product receiving the first Authorization for Placement on the Market (ACM) since applications opened in 2018.
- Political momentum and recurring discussions about adult-use cannabis reform are fueling further interest in the market. We believe an increasing number of investments are being made into medical facilities with the long-term ambition to pivot to adult-use operations once possible.
- Portugal's CBD sector has been hindered by CBD's status as a prescription-only product and its hemp sector has been restricted by uncertainty regarding which agencies are responsible for regulating the sector.



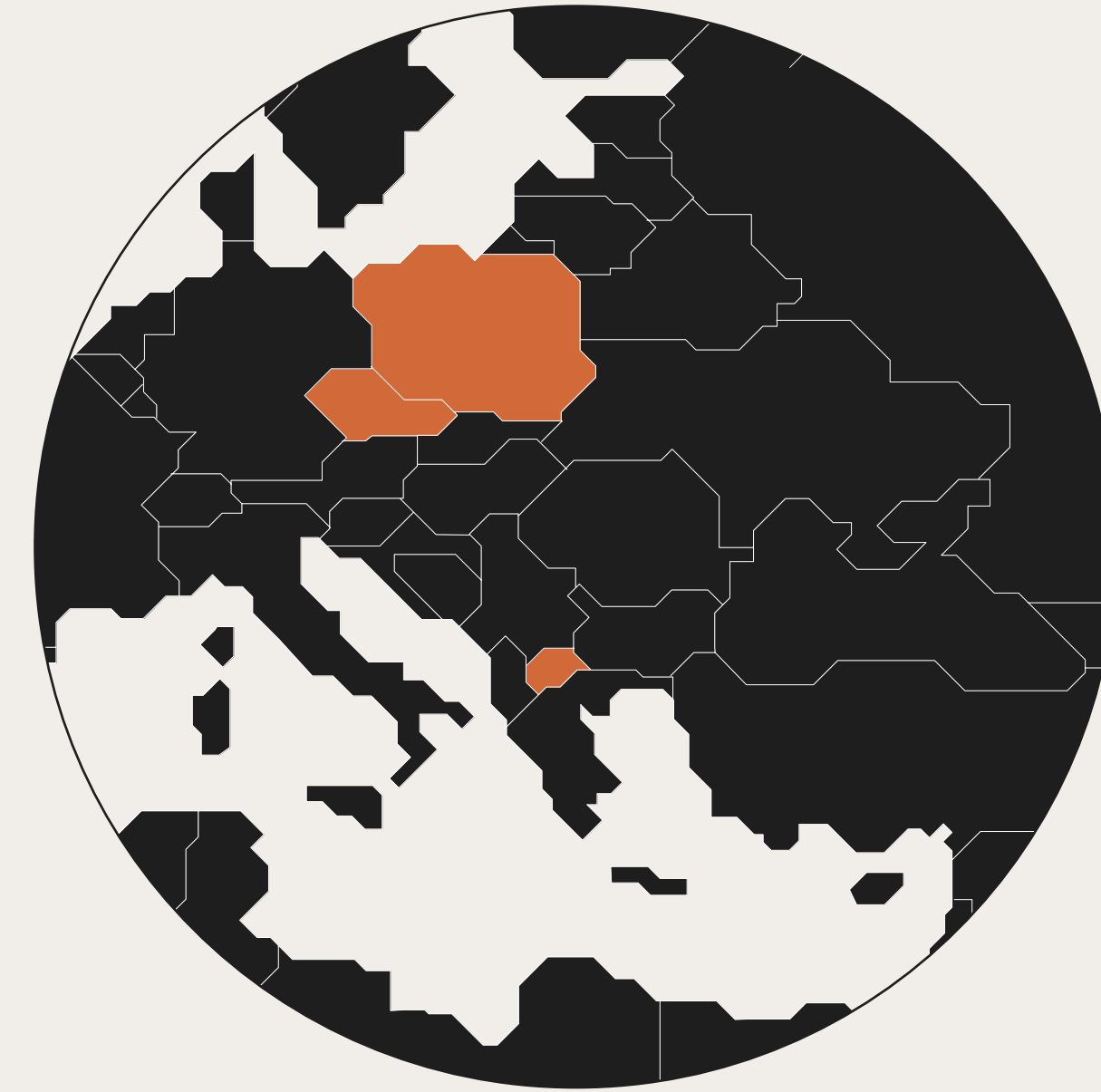
# EASTERN EUROPE

Eastern Europe has seen smaller levels of cannabis deal activity than other regions, as regulatory barriers have slowed the development of larger operational markets in the region.

Many have high hopes that North Macedonia will become Europe's next cultivation hotspot, but the long-standing blocker on flower exports prevented meaningful progress until recently. NYSK Holdings received the first licence to export flower in June 2021, with exports targeted at the Polish market.

Poland and the Czech Republic have the leading medical cannabis markets in the region, and are likely to represent the majority of the area's investment activity for the near future with patient numbers on the increase.

A limited number of domestic cannabis companies have launched in these markets compared to Western Europe, but we are now seeing companies build out infrastructure to cope with domestic requirements. Domestic manufacturing and private clinic ventures are gaining steam in Poland, alongside a flow of crowdfunded capital into the country's hemp and medical sectors.



# CREDITS

crunchbase

SEEDRS

The European Cannabis Investment Ecosystem (ECIE) report was produced by Hanway Associates and published by First Wednesdays, a network of European investors and entrepreneurs working in the cannabis sector. It was produced in partnership with global law firm DLA Piper, Swedish cannabis fund Enexis and London-based investment bank Hannam & Partners, with new data provided by investment data firm Crunchbase and UK crowdfunding platform Seedrs.



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