

# **IP Cannabis Show 1**

## **Growth in the Cannabis Segment**

This is Investor Perspectives. I'm the host of Investor Connect, Hall T Martin, where we connect startups and investors for funding.

In our new Investor Perspectives series entitled "How to Solve the Cannabis Problem", you'll hear about growth in the cannabis segment.

As the COVID pandemic passes, we emerge into a new world. The cannabis space is now undergoing tremendous change as we shift back to a normal way of life. Every state is reviewing its regulations and accelerating legalization across the board. We have investors and startup founders describe the changes coming up.

I hope you enjoy this episode.

Our guests are:

1. **William Muecke, Co-founder & Managing Director, Artemis Growth Partners, 01:17**
2. **Codie Sanchez, Managing Director, Entourage Effect Capital, 03:51**
3. **Michael Boniello, Managing Director, Poseidon Asset Management, 05:25**
4. **Sherri Haskell, Founder & CEO, Canna Angels LLC, 08:19**

**Our first guest is William Muecke, Co-founder & Managing Director at Artemis Growth Partners. Artemis Growth Partners are a team of professional investors, operators, and advisors who have built and run successful, award-winning domestic and international impact funds. They started in cannabis in 2015, and since then have been working to bring the principles of ESG and impact investing to the cannabis industry on a global basis. William, thank you for joining us.**

**William, thank you for joining us.**

[00:02:00] **William Muecke:** Thanks for having me.

[00:02:01] **Hall Martin:** So can you tell us more about your work and what you do?

[00:02:05] **William Muecke:** Sure. We are a private equity fund devoted to investing 100% in the global cannabis supply chain. So we invest in the US, in general, North America. We've invested in South America, the Caribbean, Europe, Israel, China; and we see that cannabis is a global sector, so we're investing on a global basis.

[00:02:25] **Hall Martin:** Well, great. Well, let's talk about the growth in the cannabis segment. We saw a jump-up during the pandemic and seems to continue to grow. But what can you tell us about it at this stage?

[00:02:36] **William Muecke:** Well, I think that the prognosis or the perspective on where cannabis is going is still unchanged. We've had a lot of volatility for sure, in the public markets, and there are a number of factors for that, like any other really growth industry, take anything you want, biotech, the internet, otherwise. So same sort of peaks and troughs. But over time, we see the cannabis market growing to a \$100 billion or more on annual revenues, on a global basis, US being a very large part of that, now that the US has both states that are medically legal and other states that are both medically and adult use legal. I'll note that in the US, cannabis is still federally illegal, so there's that dissonance between the federal and state jurisdictions. But when you look outside the US, now there are three countries that have federally legal cannabis to adult use, that's sort of why Mexico and Canada, and then you have 37 countries around the world, including many of the emerging European markets that are medically legal. And so, the space just keeps on moving forward, a lot of that has to do with the fall away of social stigma. But more importantly, on the medical side, cannabis has really shown itself to be a true medicinal compound, starting with Cannabidiol, which is CBD, that's been federally approved by the FDA for the treatment of epilepsy; and then many of the Federal jurisdictions are showing that cannabis is an alternative to opioids or an improvement over opioids, as well as other treatments for anxiety, sleep, etc.

**Our next guest is Codie Sanchez, Managing Director at Entourage Effect Capital. Entourage Effect Capital is a private cannabis fund disrupting the rapidly evolving cannabis industry. EEC's mission is to actively leverage their sector and investment experience, networks, and investment process, and to identify, invest and accelerate high-quality emerging growth companies. Codie, thank you for joining us.**

[00:16:18] **Codie Sanchez:** My pleasure. Thanks for having me.

[00:16:21] **Hall Martin:** Great. Can you tell us more about your work and what you do?

[00:16:25] **Codie Sanchez:** Yeah, so I'm on the board, and I'm a partner at a company called Entourage Effect Capital. We're a cannabis investment fund, growth equity focus, so \$10 to \$50 million in revenue companies is what we focus on. And then I run a media company and a holding company that focuses on what I call boring businesses, so small and medium businesses, and we invest in them directly, and then talk to other people about how to think critically and cash flow unconventionally.

[00:16:52] **Hall Martin:** Great. Well, let's talk about the growth in the cannabis segment. What do you see going on these days?

[00:16:58] **Codie Sanchez:** I mean, the market's wild. If you haven't been following cannabis lately, about now one in every three Americans actually lives in a state in which they can have legal access to cannabis, 69% of the populace says that they are for legalization now of cannabis. That's changed hugely since I first started investing in 2014; and I think at this point, it's basically common thought that it is an if, I'm sorry, that it's a win, not an if for legalization in cannabis.

**Our next guest is Michael Boniello, Managing Director at Poseidon Asset Management. Poseidon Asset Management was founded by siblings Emily & Morgan Paxhia in 2013, making their first fund one of the longest-running dedicated cannabis investment funds. The Poseidon team has focused on a diversified strategy covering a range of company stages and industry subsectors across the capital spectrum. Now in the eighth year of conducting due diligence, deploying capital, and serving on multiple company boards of directors, the team is considered a leader in the cannabis industry. Michael, thank you for joining us.**

[00:05:37] **Michael Boniello:** Thank you very much, Martin, for having me, \_\_\_\_\_ capital.

[00:05:40] **Hall Martin:** Great. So tell us more about your work and what you do.

[00:05:44] **Michael Boniello:** Sure. So I'm a managing director at Poseidon Asset Management, and we are an investment firm that has been focusing solely on the cannabis and hemp industries since our founding in 2013. And those are the only sectors that we've been investing in since we made our first investment in 2014. And we're one of the first funds to the space, and one of the longest running investors solely focused on cannabis. Over that time period, we've launched three funds, the first being January 1 of '14, and then a second fund in late '18, and we just recently launched our third fund about a month ago.

[00:06:21] **Hall Martin:** Great. Well, let's talk about the growth in the cannabis segment. What are we seeing these days?

[00:06:27] **Michael Boniello:** Sure. So it is a high growth industry, there's no doubt about it, as I'm sure all of you have known from the headlines and the press. To give you some idea of the growth that we've seen in cannabis over the past few years, and what we see going forward here, in 2020, the industry did about 18.5 billion in sales just in the United States alone. That growth has been exponential due to the amount of states coming online, both for adult use and for medical purposes, where we started the year around 15 states, three more states have gotten legal this year. And so, there's a lot of momentum, and I think with what's happening with COVID and budget deficits, and employment issues that a lot of states and a lot of politicians who may have been historically opposed to cannabis are now looking for cannabis for tax revenue and job creation. And with these new states coming online, I mentioned 18.5 billion in sales in 2020, we see that through headset data, which is one of our portfolio companies that provides live data to the industry by plugging into point of sale software systems, at the retail level, they're projecting 2021 to be closer to 23 billion in total sales, and then over 28 billion in 2022. And a lot of that, some of that is organic growth, where last year we saw very mature markets like California, Oregon, and Colorado grow at over 25%, that was surprising to some people. But states like New York just announced legalization, they're pegged at probably \_\_\_\_\_ about a billion in their first full year, but that's going to be a \$5 billion state in five to seven years, so a lot of growth in the industry, a lot of growth to come as more states come online.

**Our final guest is Sherri Haskell, Founder & CEO, Canna Angels. Canna Angels is the leading angel investment consortium dedicated to the cannabis industry in the U.S. They are in their 5th year with over 50 stellar companies in their portfolio. With 5 exits (four as acquisitions, one as public issue to the CSE) in less than three years, their track record of identifying rising stars is solid. Sherri, thank you for joining us.**

[00:03:00] **Sherri Haskell:** My pleasure. Thank you for the invitation.

[00:03:02] **Hall Martin:** Great. So tell us more about your work and what you do.

[00:03:06] **Sherri Haskell:** Oh my goodness, okay. So what my work is and what I do, I am, as you mentioned, the CEO of Canna Angels. Canna Angels is now in our fifth year. We are an angel investment consortium, and we're the only professional level angel investment consortium dedicated to cannabis in the US. As I said, we're in our fifth year. We have, I think, at this moment, 51 companies in the portfolio. Up until COVID, we had five companies that had exits, four of them were through acquisition, and one was through a public issue in Canada. So it's a very successful track record. I think some of the reason for that track record is that we have had a pretty strong focus to the technology sector. And when I say technology, I mean, those companies that are really supportive of the industry, either through technology innovations or through infrastructure. Those companies I found can be scaled quite nicely, we can protect their IP, and the investors can easily wrap their brain around this kind of an \_\_\_\_\_ business model.

[00:04:22] **Hall Martin:** So let's talk about the growth in the cannabis segment. What are we seeing these days as far as rates and segments that are growing?

[00:04:30] **Sherri Haskell:** Wow. Okay, so we are seeing efficiencies, efficiencies throughout the board, efficiencies are super, super – let me pull something up here. Okay, efficiencies, it's funny because I just did a conference for Angel Capital Association and did a segment on that. What we're seeing is anything that propels efficiencies on a larger scale, so that can be through Agritech our DataTech or Biotech, things like that, genetics are very big right now, because there needs to be differentiations, and specialties in not only the strains, but what the strains will provide to the consumer or the patient. Expansion of form factors, we're seeing that quite a bit, and then that comes back to the technology of nanoemulsion technologies. So there's just an awful lot going on underneath the surface. I know a lot of investors that initially became acquainted with the cannabis space, were thinking that they needed to invest primarily either in the cultivation, or in the retail which are at the far ends of the spectrum. But what we really focus on is those companies that provide innovation in the middle, those companies that, as I said, provide the infrastructure and the technologies that support the industry. Synthetics is another area that we're seeing more evolution in. I could go on and on.