

Here are the top 14 venture-capital firms making deals in the cannabis industry, and where they're looking to place their next bets



Samantha Lee/Business insider

- **Business Insider** identified the top venture-capital firms making deals in the [cannabis industry](#) based on how many investments they made in 2019.
 - The firms told us they were looking to invest in areas such as advertising technology, international opportunities for CBD and hemp, drug-delivery platforms, lab testing, and synthetic cannabinoids.
 - One of the most common predictions **Business Insider** heard from venture capitalists was that 2020 would be the year when a few brands "pull away from the pack" and emerge as the top brands in cannabis.
-

Last year was difficult for the cannabis industry.

The industry was hit with a number of headwinds, including slower-than-expected retail sales in Canada and legal jurisdictions in the US, as well as a spate of vaping-related illnesses in the US that prompted some states to introduce bans on the sale of vaping products.

On top of that, the cannabis bubble burst and stocks slid — some indexes that track the industry lost over 50% of their value last year — all of which contributed to the collapse of mergers, like the one between MedMen and PharmaCann, and forced other megamergers to get pared back or repriced. Both startups and public companies in the industry were forced to lay off employees and sell off assets.

Despite the challenging year, venture investment in cannabis startups surged in the first half of 2019 before declining, according to the data provider PitchBook. Overall, venture investors committed a total of \$2.3 billion to the industry last year, up from \$1.5 billion the year before, Business Insider reported. That's up from just \$17 million in 2013, right after Colorado became the first state to open its doors to the commercial cannabis industry.

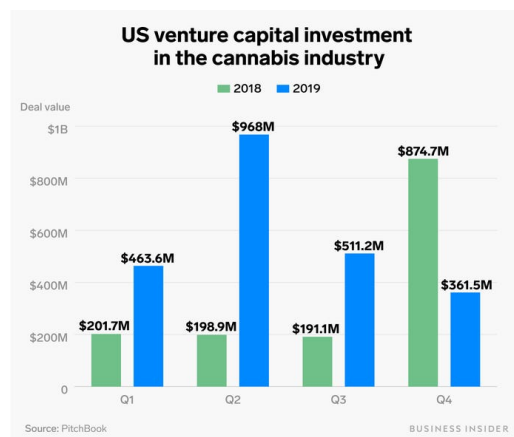
Much of that money, however, has flowed into early-stage companies. For companies later in the growth cycle, there still isn't much capital available because THC, the psychoactive component of cannabis, is federally illegal, so many big funds are reluctant to invest.

The federal status of cannabis also means that many investments from venture-capital firms are focused on ancillary companies, like business-to-business software and hardware that don't directly touch the plant.

To get a handle on who the top dealmakers are in this budding industry, Business Insider reached out to the top venture-capital firms investing in the cannabis sector. We emailed the 15 biggest venture capitalists based on the number of deals made in 2019, according to data from PitchBook. Of the 15 we contacted, 14 responded.

The investors told us where they invested in 2019, how many deals they made, and what they're excited to invest in this year.

Here, on the pages that follow, are the top venture-capital firms in the cannabis industry:



Merida Capital Partners made 37 deals in 2019, 12 of which were new.



Location: New York

Deal Count in 2019: 37

Launched in 2016, [Merida Capital Partners](#) made a total of 37 cannabis industry investments last year, 12 of which were additions to its portfolio.

Recent additions include companies like the multistate operator Cresco Labs and the print publication Cannabis Now. Merida invests primarily in later-stage companies and is focused on four verticals: medical cultivation, cultivation infrastructure, data and technology services, and pharmaceutical development and life sciences.

Mitch Baruchowitz, the managing partner of Merida, told Business Insider that in 2020, he believes the hottest areas to invest will be: predictive analytics around consumer and medical data, research and development of cannabis-based medicines, precision equipment for supporting research and development, and specific state-based operating opportunities in locations where multistate operators have pulled back.

Lerer Hippeau Principal Andrea Hippeau said 2019 was "a boom-and-bust cycle for cannabis," but in 2020 we'll see maturation in the market.



Location: New York

Deals in 2019: Two

The New York City early-stage venture-capital fund [Lerer Hippeau](#) made two cannabis-related deals in 2019, both on the CBD side of the industry.

The fund's investments included a [\\$3.3 million seed round for Prima](#), a CBD beauty startup founded by Honest Co. cofounder Christopher Gavigan, and the CBD beverage company Sweet Reason.

Lerer Hippeau Principal Andrea Hippeau told Business Insider that she uses the same investment criteria in cannabis-related companies as she does in any other sector.

A key quality she looks for is "great teams building disruptive businesses in big markets."

But Hippeau said the cannabis industry's unique challenges and regulatory hurdles "makes the bar a little higher to invest."

She described 2019 as "a boom-and-bust cycle for cannabis" and said 2020 would be the year the market begins to mature and legitimize as state regulation stabilizes. She said she was looking forward to investing in teams that are "building technology to support the ecosystem."

Panther Opportunity Fund Principal Jordan Tritt says his firm is looking to add strategic companies that complement the investments in its portfolio.



Location: Illinois and Georgia

Deals in 2019: Four

Panther Opportunity Fund has made a total of 30 investments and deployed \$10 million in the cannabis sector since it was founded in 2016.

The four investments last year include PayQwick, an e-payment company that serves cash-intensive businesses; VividGro, an indoor-agriculture technology; Mood33, which specializes in hemp-infused beverages; and Apex Trading, a wholesale cannabis-commerce company.

Panther Opportunity Fund Principal Jordan Tritt told Business Insider that in 2020, his firm is looking to add investments that complement its portfolio. For example, that could mean a company that would leverage the banking solutions of PayQwick or a software-centered business that could tie in well with Apex Trading.

"We can bring together a large cross section of companies and players and be in the middle helping put together deals," Tritt said.

Panther is also looking into distressed assets and "putting together a debt fund to take debt positions in companies and be backed by the assets of the company," according to Tritt.

Big Rock Partners Chief Operating Officer Joyce Cenali says her firm is focused on companies that are "going deep."



Location: California

Deal Count in 2019: Six

Big Rock Partners was formed in 2013 and has made 20 investments in cannabis since 2016.

In 2019, the firm invested in six cannabis companies, including beverage companies like Proposition Cocktail Co. and vertically integrated cannabis companies like Henry's Original.

Big Rock Partners Chief Operating Officer Joyce Cenali told Business Insider that the firm's strategy is to focus on the "best-of-class California-based brands" and the technology that supports and powers those brands.

In 2020, though, Cenali said Big Rock anticipates a shift toward later-stage private-equity investments as opposed to only venture investments.

"Our belief is that California offers the best cannabis talent and know-how on the planet, and some of the consolidation that is sure to occur may cause mergers forged regionally as opposed to through the multistate operators," Cenali said.

Navy Capital founder Sean Stiefel says he's excited for public US multistate cannabis firms "to gain institutional interest" and for leading brands to take off.



Location: California

Deal Count in 2019: Six

Sean Stiefel, the founder of the cannabis-focused investment fund Navy Capital, told Business Insider that the firm invested in Connected, Island, Pax, and Mineral on the private side in 2019. On the public side, the firm added to investments in the multistate operators Green Thumb Industries, Trulieve, and Curaleaf.

In 2020, the firm is excited for the rise of institutional interest in public multistate operators in the US, Stiefel said.

"The profile of triple-digit growth, 40-50% margins, and low-double-digit or single-digit Ebitda multiples exists almost nowhere else," Stiefel said. EBITDA refers to a measure of profit that excludes some expenses.

He added that he also believed brands his firm has invested in, like Raw Garden and Connected, would "pull away from the pack" this year and "begin to entrench themselves as the scaled incumbents in their category."

Casa Verde Capital partner Karan Wadhera says he believes branded consumer products are one of the most interesting segments in 2020.



Location: California

Deals in 2019: Eight

Casa Verde Capital, led by Karan Wadhera, was founded in 2015. The firm made eight investments in 2019 and focuses exclusively on the cannabis industry.

Of the eight deals, half were new bets. Investments included the vaping-related companies Indose and Pax; Bespoke Financial, a cannabis business-loan company; and Cargocast, a supply-chain company.

Casa Verde Capital managing partner Karan Wadhera told Business Insider he was most focused on investing in branded consumer products this year.

According to Wadhera, cannabis brands are a good investment because they don't rely heavily on infrastructure and can scale rapidly to new locations.

"In the long term," Wadhera said, "branded products will be able to command higher price points and help deter the eventual margin compression that will hit the space."

AFI Capital Partners Managing Director Nico Richardson says the fund plans to make investments in plant-touching businesses.



Location: California and Washington

Deal Count: 11

AFI Capital Partners' 2019 investments include Abaca, a cannabis-banking-focused company based in Arkansas, and Leif Goods, an Oregon-based edible and topical company.

Of the 11 new investments, the firm has board seats or board-observer status on eight companies, according to Nico Richardson, a managing director at AFI Capital Partners.

Through its Fund I, AFI focused primarily on ancillary businesses because they "were ultimately more capital efficient and scalable than brick-and-mortar cannabis investments," Richardson told Business Insider.

The firm expects to invest in companies that deal directly with the cannabis plant in its second fund this year, as long as they have "a clear efficient path to scale profitably," Richardson said.

Pointing to the dramatic pullback in valuations for multistate cannabis firms from investors, Richardson said that AFI Capital Partners was also "finding great value for investment in smaller private businesses that are caught up in this trend."

Altitude Investment Management partner Jon Trauben says he expects to see winners emerge in 2020.



Location: New York and London

Deal Count in 2019: 11

In 2019, Altitude Investment Management made 11 investments in nine companies, including PathogenDx, an Arizona-based biotech, and Sunderstorm, a cannabis company that sells products such as edibles and vapes.

Of the nine companies, five were new additions: KannaSwiss, CannaCare, Nobl, EMMAC, and Sunderstorm.

Altitude Investment Management invests in early-stage to growth companies. Jon Trauben, a partner at the company, told Business Insider that "a host of operational and liquidity issues" are hampering cannabis companies.

He said he still expected "a defined set of companies emerging as winners in the vertically integrated multijurisdictional strategy" this year.

Salveo Capital Managing partner Michael Gruber says the firm's "hot areas to invest" include international opportunities and drug-delivery platforms.



Location: Chicago

Deal Count in 2019: 13

Cannabis-focused Salveo Capital has made a total of 35 investments since it launched in 2016.

New companies last year included SC Labs, Herbl, KelSie Biotech, and Leaf Logix, which handle areas such as lab testing, business-management software, and distribution.

Salveo also did follow-on investments in companies like Treez, a management-software platform for cannabis businesses, and Wurk, a software company for payroll and human resources.

Salveo Capital Managing partner Michael Gruber told Business Insider the company was interested in investing in several areas in 2020, such as lab testing and other compliance solutions, brands, international opportunities, distribution and e-commerce, and troubled or distressed firms.

Larry Schnurmacher of Phyto Partners said the firm made 14 deals in 2019 through its second investment fund, Phyto II.



Location: Florida

Deal Count in 2019: 14

[Phyto Partners](#) launched its first fund in June 2015, investing in companies like LeafLink, Flowhub, Front Range Biosciences, and Baker Technologies. Its second fund, started in May 2018, has made a total of 25 investments, 14 of which happened in 2019.

New investments include Vangst, a [staffing agency for the cannabis industry](#), and Mattio Communications, a strategic-communications firm that works with many cannabis-related clients. VCC Brands, a California edibles brand, and Mood33 are also on the list.

Phyto Partners Managing Partner Larry Schnurmacher told Business Insider that in 2020, Phyto is focusing on international opportunities for CBD and hemp, synthetic cannabinoids produced using biosynthesis, and opportunities in advertising and marketing tech, among other things.

California-based Poseidon Asset Management has been around since 2013 and made 18 deals last year.



Location: California

Deal Count in 2019: 18

Poseidon Asset Management was cofounded by Morgan and Emily Paxhia, a brother-and-sister team, who [jumped into the industry in 2013](#).

Last year, Morgan Paxhia told Business Insider he was "very bullish" on investing in ancillary companies in the cannabis industry. Notable earlier investments Business Insider has [reported on](#) include companies like Baker, which helps dispensaries optimize growth, and Headset, a cannabis-analytics company.

Emily Paxhia told Business Insider that Poseidon has been doing plant-touching investments since mid-2014 and its investors are supportive of those types of deals.

In 2019, Poseidon made a total of 18 deals across two funds with four new investments: Sublime, Grupo Landsteiner, Groundworks, and Sparc. (Poseidon previously lent Sparc money and now has equity ownership in its Fund I and Fund II.)

Poseidon's predictions for this year? It will be challenging for cannabis companies.

Morgan Paxhia told [Business Insider in December](#) that as valuations for cannabis companies come back down to earth and competition increases, he believes brands will have to focus on delivering a consistent quality product and "that there could be some very good brands that emerge from this environment."

"It's kind of like this ending period of recalibration for the industry," he said.

Texas-based Entourage Effect Capital's investments include data companies and plant-touching businesses.



Location: Texas

Deal Count in 2019: 18

Entourage Effect Capital made 18 cannabis investments last year. The fund's portfolio includes the data company BDS Analytics and the consumer-cannabis startup Sublime, whose products include prerolled joints and edibles.

Matt Hawkins, the managing partner at Entourage, [talked to Business Insider in December](#) about how he would beefed up his staff to chase down "large-scale distressed opportunities." He said that in 2020, he's focused on sectors of the industry that he feels are "undercapitalized."

"We've seen it ourselves, that there are several large-scale distressed opportunities that we have circled the wagons with, and I expect that continue," he said.

To date, Hawkins' firm — which changed its name to Entourage Effect Capital from Cresco Capital after the "entourage effect" cannabis consumers feel when consuming cannabinoids like THC and CBD in conjunction — has invested in 38 companies across different verticals, including cannabis tech, cultivation, and infrastructure.

Beverly Hills-based Arcadian Fund made 21 investments in 2019, 18 of which were new.



Location: California

Deal Count in 2019: 21

Founded in 2017, Arcadian Fund invested in 18 new companies and made three follow-on investments in 2019.

The new companies include research and technology companies like CB2 Insights and platform companies like Sava, which connects cannabis brands to consumers in California.

Matthew Nordgren, the CEO and founder of Arcadian Fund, told Business Insider that the company provides its investors with "diversified exposure to the ancillary sector with an emphasis on technological advancement" and focuses mainly on mid- to late-stage companies that already have a proven track record and want to sustain and increase growth.

Nordgren told us he was excited to see businesses "separate themselves as leaders in the space through proving their professionalism, market share, and audited financial revenue growth."

This, he said, leads to an "increased likelihood for institutional support," which he believes is essential for the cannabis industry to mature.

CanopyBoulder was founded in 2014 and has made more than 120 investments.



Location: Boulder, Colorado

Deals in 2019: 26

CanopyBoulder, a Boulder, Colorado-based venture fund and startup accelerator, invested in 26 companies in 2019, including e-commerce platforms like Sticky Leaf and CBD companies like 6 Degrees Wellness. Founded in 2014, the firm has helped launch 100 companies and made over 120 investments in total.

CanopyBoulder cofounder and CEO Patrick Rea told Business Insider that going into 2020, his firm is looking to invest more in its existing portfolio companies and in an array of businesses that include ancillary and service companies, CBD branded-product teams, and firms that are "developing unique and valuable" intellectual property.