

Here are the top 16 investment firms making deals in the booming cannabis industry, and where they're looking to place their next bets in 2021



Samantha Lee/Business insider

- **Business Insider identified the top investment firms in the US cannabis industry, based on how much they've invested in cannabis startups in 2020.**
 - **The firms told us that in 2021, they expect further consolidation in the industry, more established investors coming into the sector on the heels of cannabis legalization votes, and a bigger focus on investment in software and technology firms.**
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After a tough year-and-a-half for the cannabis industry, the sector has found new momentum through increased pandemic-related sales and a raft of cannabis reform legislation in the US in the past few months. Cannabis is considered an illegal Schedule I drug by the US federal government. Still, five states voted to legalize cannabis in November, and the House passed the MORE Act, a bill to federally decriminalize cannabis, earlier this month.

Cannabis will be legal for recreational use in 15 states once these laws go into effect, and medical marijuana will be legal in 36. The MORE Act is not expected to pass a Republican-controlled Senate, though the chamber is still up for grabs depending on the results of the January runoffs in Georgia.

Cannabis investors told Business Insider that it's now easier to put together deals, since the field is less crowded and the companies left standing have management teams that successfully navigated the industry's downturn.

While capital is still constrained in the once red-hot cannabis sector — at least compared to the highs of 2018 and early 2019 — this was the year that the frontrunners in the industry cleaned up their balance sheets and weaker players fell to the wayside. The biggest venture deals in cannabis in 2020 were driven by cannabis tech startups like Dutchie's \$35 million Series B and LeafLink's \$40 million Series C, as well as by private cannabis retailer Ascend Wellness Holding's \$68 million raise.

To get a handle on the industry's top dealmakers, we asked private market data provider Pitchbook for the top US-based investors in cannabis startups. We also reached out to the firms that appeared on our 2019 list.

In total, we contacted 25 funds to ask how much they invested in cannabis startups in 2020. Based on their answers, we narrowed down our list to 16 top players.

We asked the investors to confirm how much they invested, how many deals they did, and what trends they're watching to place their next bets in 2021. The list is arranged by the amount of money each firm invested in cannabis startups.

Here are the top investment firms in the cannabis industry:

Gotham Green Partners – \$95 million



Gotham Green's managing partner, Jason Adler. Gotham Green Partners

Founded: 2017

Located: Los Angeles and New York City

Deal count in 2020: 12

Predictions for 2021: "We believe that the positive regulatory momentum will continue, with more states legalizing recreational and medical cannabis," said **Jason Adler**, managing member at Gotham Green Partners. "With increasing bipartisan support and a clear need for state and local tax revenues, it will be hard to ignore the pace of change and the progress of these programs."

The early success of newly recreational markets like Illinois and Michigan, as well as the introduction of legal cannabis in Arizona and New Jersey, should create momentum for other states to adopt recreational programs, according to Adler, particularly to generate tax revenue to shore up depleted budgets following the pandemic.

"Ultimately, we think this will accelerate change at the federal level with additional pro-cannabis legislation like the MORE Act, the SAFE Banking Act, etc," Adler said in an email.

Merida Capital Holdings — \$50 million



Merida Capital Holdings's Mitch Baruchowitz. Merida Capital Holdings

Founded: 2016

Located: New York City

Deal count in 2020: 95, across 29 companies

Predictions for 2021: "We think that virtually every state will go at least medical, and 3-4 large states go rec, as momentum towards normalization of cannabis will continue to drive upward revisions of revenue projections, driven by an acceleration of the transition of consumers/patients from the illicit market into the legal market," said **Mitch Baruchowitz**, managing partner at Merida Capital.

Baruchowitz says that transition will be driven by more aggressive enforcement of state laws, the cost of legal cannabis being driven lower — when compared with illicit cannabis — as larger legal operators "achieve automation, scale and cost efficiencies. Baruchowitz also expects to see a "much more evolved medical vertical."

Casa Verde Capital — \$31 million



Casa Verde's Yoni Moshe Meyer. Casa Verde

Founded: 2015

Located: Los Angeles, California

Deal count in 2020: 6

Predictions for 2021: "In 2021, we expect to see continued consolidation across the industry," **Yoni Moshe Meyer**, partner at Casa Verde, told Business Insider.

"Moreover, we anticipate that there will be at least 2 new states legalizing adult-use cannabis."

Navy Capital — \$25 million



Navy Capital founder Sean Stiefel. [Navy Capital](#)

Founded: 2014

Located: Westport, Connecticut

Deal count in 2020: 3

Predictions for 2021: "The set up for 2021 is very similar to 2020 where the big get bigger and continue to pull away," said **Sean Stiefel**, founder of Navy Capital.

"From my vantage point, the best companies are distancing themselves from the pack. Whether it's the large MSOs (Trulieve, GTI, Curaleaf, Cresco, Verano) or the leading Brands (Connected, Raw Garden, Cann). It's clear to us these businesses are getting more efficient and have enormous runway while smaller peers are still facing big headwinds and capital challenges. We think the field continues to narrow in 2021."

Stiefel says the \$25 million figure is an estimate. He added that Navy Capital has invested \$100 million into private companies since the fund was founded and that the fund rotates in and out of investments.

Poseidon Asset Management – \$21 million



Poseidon Asset Management' Morgan and Emily Paxhia. Poseidon Asset Management

Founded: 2013

Located: San Francisco, California

Deal count in 2020: 6

Predictions for 2021: "We believe we will start to see banking reform and the introduction of institutional capital into the sector. This is good timing, as the industry has reached a new level of maturity, with strong operators leading the charge," **Morgan and Emily Paxhia**, founders of Poseidon Asset Management, told Business Insider in an email.

"We think it could be possible to see US companies gaining access or preparing to access the Nasdaq or NYSE, and there will be some new entrants from the MSOs into the capital markets. We also think we will see the opening up of more international markets, to create interesting new dynamics in the global supply chain. Countries to watch in 2021 are Mexico and Colombia."

AFI Capital Partners — \$18 million



AFI Capital Partners Nico Richardson. AFI

Founded: 2018

Located: Seattle, Washington and Santa Monica, California

Deal count in 2020: 7

Predictions for 2021: "I will leave the pontification on federal legalization to the talking heads, however, if the Republicans maintain control of the Senate, it appears unlikely that the MORE Act will make it onto the Senate floor for a vote," **Nico Richardson**, managing director at AFI Capital Partners, told Business Insider.

Richardson says that within the industry, he expects to see continued growth from the MSO class of operators as limited license markets continue to scale.

"I would also expect to see accelerated consolidation within the more mature and fragmented markets like Colorado, Washington and Oregon as smaller operators strain under the burden of 280E and lack of access to private capital," he added.

TVC Capital – \$16.5 million



TVC Capital's Jeb Spencer. [TVC Capital](#)

Founded: 2006

Located: San Diego, California

Deal count in 2020: 2

Predictions for 2021: "The cannabis industry will see further acceleration of M&A activity as players across the spectrum seek to add mass and scale," **Jeb Spencer**, managing partner at TVC Capital, told Business Insider.

Spencer added that he expects increased professionalization in the industry and more participation of non-industry executives in leadership roles.

"We believe that there will be increased focus and investment in software and technology firms fueling growth, reducing costs and increasing efficiency in the industry," he added.

Rose Capital — \$12 million



Andrew Schweibold, Co-founder and CEO of Rose Capital. [Rose Capital](#)

Founded: 2016

Located: Greenwich, Connecticut

Deal count in 2020: 10

Predictions for 2021:

"Following the collapse of the equity cannabis markets in late-2019, early-2020, alongside the introduction of COVID, the legal cannabis sector landscape is littered with sub-scale assets poised for consolidation," **Andrew Schweibold**, cofounder and CEO of Rose Capital, told Business Insider. Schweibold added that he thinks strong business models and assets will continue to drive scale and market share gains through M&A.

"In particular I expect to see increased consolidation amongst brands. Multi-state operator brand houses sit uniquely positioned to address the growing US cannabis consumer base," he said.

Rose Capital says it has invested \$12 million into cannabis startups this year. The investment firm also backed BR Brands' acquisition of public company Dixie, by which BR Brands went public through a reverse takeover, trading under the name BellRock. Including this deal, Rose Capital has invested \$55 million into the cannabis space in 2020. With the inclusion of debt instruments, the firm says its 2020 investments total approximately \$75 million.

Gron Ventures – \$11.7 million



Gron Ventures managing partner Wilder Ramsey. Gron Ventures

Founded: 2018

Located: Los Angeles & Orange County, California

Deal count in 2020: 11

Predictions for 2021: "For years, investors have predicted that flower prices would commoditize overnight. After this point it's clear that the situation is more complex," said **Wilder Ramsey**, managing partner at Gron Ventures. "We see no indication that the shortage of compliant high-quality flower will dissipate — the black market is too strong, and in California, it probably absorbs a majority of the flower that is grown compliantly."

"As to consumer demand for combustible flower," Ramsey continued, "the category that has arguably attracted the least investor attention: we expect it to remain robust."

DCM Ventures – \$10 million



DCM Ventures partner Kyle Lui. DCM Ventures

Founded: 1996

Located: Menlo Park, California

Deal count in 2020: 1

Predictions for 2021: "Funding for startups will pick up materially in 2021 as more states launch recreational and medical cannabis from prior approvals," said **Kyle Lui**, partner at DCM Ventures. "Businesses will finally get the much needed legislative support around banking and financial services for the industry."

Note: We only reported figures for how much DCM Ventures invested into cannabis startups specifically, rather than how much money the fund allocated across all sectors in 2020.

Phyto Partners – \$10 million



Phyto Partners' Larry Schnurmacher. [Phyto Partners](#)

Founded: 2015

Located: Boca Raton, Florida

Deal count in 2020: 11

Predictions for 2021: 2021 is going to be a great year for the cannabis industry, said **Larry Schnurmacher**, managing partner at Phyto Partners.

"We expect positive momentum to continue including potential for federal legislation that will normalize banking for the industry," he said, adding that the addressable market for cannabis products will increase as more states institute commercial sales.

He added that he believes capital will shift away from publicly-traded Canadian cannabis companies like Canopy Growth, and towards US multi-state operators or MSOs like Green Thumb Industries, as well as to cannabis tech, hydroponics, and other ancillary companies.

Salveo Capital — \$4.5 million



Salveo Capital's Michael Gruber. Salveo Capital

Founded: 2016

Located: Chicago

Deal count in 2020: 7

Predictions for 2021: The coming year is set up to be a very good year for cannabis, according to **Michael C. Gruber**, a managing partner at Salveo Capital.

"There will be further consolidation in the industry, and with the maturation of companies and reaching greater scale, well-run companies will continue to be able to raise capital on better terms than in the past," he said.

Gruber added that although the passage of federal cannabis legislation remains unclear, "increasing public support for legalization, increasing de-stigmatization, and ongoing usage and demand for cannabis products for general well-being will provide strong tailwinds for the industry to register strong growth in the year."

HALLEY Venture Partners – more than \$3 million



HALLEY Venture Partners Managing Director Steve Schuman. HALLEY Venture Partners

Founded: 2017

Located: San Francisco, California and Denver, Colorado

Deal count in 2020: 8

Predictions for 2021: "With renewed interest from capital markets, we expect investments from new players that haven't been involved in the space yet," said **Steve Schuman**, managing director of HALLEY Venture Partners, adding that some of these players could be traditional venture capital funds who dip their toes into the sector for the first time.

Schuman says he also predicts there will be further M&A and consolidation from cannabis multi-state operators (MSOs) who will expand geographically and combine with smaller players to gain scale to compete with the largest national players.

"We also anticipate further state-level legislative action to advance legalization as states look to cannabis tax revenues to bolster pandemic-depleted tax coffers," he said. "Sadly the incoming administration has given the industry no concrete signs that it will champion removing federal prohibition on its own, though we believe it will help the process if enough states and the grassroots efforts continue to push."

Panther Opportunity Fund – \$3 million



Panther Opportunity Fund's Jordan Tritt (left) and Scott Berman (right) Panther Opportunity Fund

Founded: 2016

Located: Atlanta, Georgia

Deal count in 2020: 10

Predictions for 2021: Panther Opportunity Fund's principal **Jordan Tritt** says he expects valuations of well-performing companies to increase as management teams focus intently on bottom-line results, resulting in profitable, growing businesses.

"Macro trends are favorable for the industry with record legal sales and more states coming online," Tritt said, adding that he expects lots of growth capital to come into cannabis next year as investors recognize the "all time high" of individual support for cannabis legalization and the need for states to offset budget deficits related to the pandemic.

Silverleaf Venture Partners – \$2.6 million



Silverleaf Venture Partners managing director Andre M. Haroche. Silverleaf Venture Partners

Founded: 2018

Located: Denver, Colorado

Deal count in 2020: 8

Predictions for 2021: "On the public equity side we predict the majority of Cannabis SPACs will fold due to a lack of qualifying transactions," Silverleaf Venture Partners managing director **Andre M. Haroche** told Business Insider. "For private equity, we predict 2021 will usher in many more roll-ups and distressed acquisitions, where the best operators will acquire businesses who are poorly run or financially challenged."

Arcadian Capital – \$2.4 million



Arcadian Capital's Matthew Nordgren and Krishnan Varier. Arcadian

Founded: 2017

Located: Los Angeles, California

Deal count in 2020: 12

Predictions for 2021: "The easing of regulations in a number of states and internationally has fueled growing excitement for business opportunities across cannabis markets," said Arcadian Capital's founder and managing partner, **Matthew Nordgren**.

Nordgren said that in 2021, he expects to see an increase in investor appetite that will help to bolster top-performing operators.

"We anticipate legislation at the federal level which should carry that momentum into the latter half of the year," he added.