

Cannabis industry

Wall Street experiments with marijuana investments

Former Bear Stearns broker sets up legal cannabis industry networking business



The legal North American marijuana market grew to nearly \$10bn last year © AFP Gregory Meyer in New York APRIL 1, 2018

The fine wines flowing in a Manhattan banquet hall on a recent evening lubricated talk of another intoxicant: pot.

More adventurous corners of Wall Street are experimenting with marijuana as an investment even though recreational use of the drug is illegal in New York and the US [attorney-general](#) has reminded the industry that cannabis is outlawed by federal statute.

The gathering at Aretsky's Patroon in midtown Manhattan gave 80 private equity executives, fund managers and family-office investors a chance to hear from pot entrepreneurs seeking capital. One bragged of management team experience that included Blackstone, Goldman Sachs and the Harvard Business School.

The North American legal cannabis market grew by a third to nearly \$10bn last year, according to ArcView Market Research, and is forecast to more than double in size by 2021.

Nine states including California, Colorado and Massachusetts have allowed sales of cannabis for adult recreational use. Others are debating a move in that direction. [Canada](#) plans to legalise

recreational use this year.

Sensing an opportunity, former Bear Stearns broker Gregg Schreiber helped found Green Table, a legal marijuana industry networking business. Its Manhattan event gave companies a soapbox to make pitches to potential investors. Another Green Table dinner is scheduled in Boston in April.

It's an incredibly exciting time to be alive if you're a marijuana smoker

Keith Stroup, founder of the National Organization for the Reform of Marijuana Laws

Standing before the well-dressed guests were executives from companies such as Firefly, which sells an app-controlled vaporiser, and PRØHBTD Media, a cannabis marketing company. They envisaged a country where consuming pot was no more controversial than ordering a Chardonnay.

“Stoner culture, all props and respect to that subculture, is fading away,” Steve Berg, Firefly’s chief executive, told the audience. “Cannabis is going mainstream. And the question everybody in this room should be asking is, ‘How do I make money?’”

Mr Berg said he moved into the cannabis industry nine years ago after a career in banking. His \$329 vaporiser lacks the baroque styling of head shop paraphernalia, instead sporting the clean lines of a smartphone.

Drake Sutton-Shearer, chief executive of PRØHBTD Media, said his partnership with an advertising events group would “introduce cannabis to Madison Avenue. That means going to Procter & Gamble, Mondelez, Kraft Foods. These guys want to buy brands at scale.”

The weed investment world has jargon that reflects its uncertain legal status. Companies that cultivate or sell marijuana products describe themselves as “plant-touching,” while “non-plant-touching” businesses sell equipment or services such as growing lamps or marketing videos. Some investors believe the latter sector is less exposed to the risk of a [legal crackdown](#). “We want to be selling picks and shovels,” said a private equity investor seated at the dinner.

The risk is real. Jeff Sessions, US attorney-general, in January rescinded an Obama administration policy instructing federal prosecutors not to take action against marijuana in states that made it legal.

Resistance is brewing against legalisation. Smart Approaches to Marijuana, an advocacy group, warns that a legal pot industry with financial muscle will command the power the tobacco industry once had.

“It’s gone from Woodstock to Wall Street, and that is a big, disturbing change,” said Kevin Sabet, SAM’s president. “When it becomes about money, public health and public safety get thrown aside.”

Most banks have shunned the US cannabis industry, according to ArcView. Private equity and venture capital investors may listen to pitches, but “the only ones writing checks are rich individuals and family offices. And there’s not a deep, broad market of guys doing that, either,” said Hadley Ford, chief executive of iAnthus Capital Holdings, which operates marijuana farms and shops in the US.

However, iAnthus and several other cannabis-related companies have listed shares in Canada. Toronto-based grower and distributor Cronos Group cross-listed shares on New York’s Nasdaq exchange in February. Private and public companies raised \$3.5bn in capital last year and more than \$2bn in 2018 to early March, according to Viridian Capital Advisors.

Green Table is not the only group convening pot entrepreneurs and financiers. ArcView holds investor forums around North America. On Thursday evening, the New Jersey Cannabis Symposium drew hundreds to a Newark concert hall to discuss opportunities as the state’s governor, Phil Murphy, pushes for recreational legalisation.

Signs inside the hall warned against smoking, but the unmistakable scent of burning pot blew in from the veranda. Keith Stroup, founder of the National Organization for the Reform of Marijuana Laws (NORML), an advocacy group, addressed a crowd wearing a blend of business suits and T-shirts.

“It’s an incredibly exciting time to be alive if you’re a marijuana smoker,” he said.

[Copyright](#) The Financial Times Limited 2018. All rights reserved.