

MGC Pharmaceuticals Ltd

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Roll up roll up: Cannabis companies queue up to join London's budding subsector

Interest in cannabis stocks sparked into life this month as London welcomed its first two specialist medical marijuana companies.

A surge in share prices was seen around the world last week, as the Reddit-inspired retail investors and YOLO traders **jumped aboard the cannabis bandwagon**, but a day later and most of the share prices were back to where they started.

To be fair, the self-dubbed 'degenerates' of the WallStreetBets online forum were probably joined by many other investors in taking an interest in the sector, as there has been a rush of news flow recently.

Most of the buzz came from a couple of fat M&A deals, namely the US\$7.2bn deal to take over Anglo-US group GW Pharmaceuticals PLC (NASDAQ:GWPH) struck by Jazz Pharmaceuticals (NASDAQ:JAZZ) this month and the planned US\$4bn roll-up between Tilray and Aphria.

While interest in the US cannabis sector **has been growing** since Joe Biden closed in on the White House, British investors found somewhere to get their fix with the initial public offers in the past fortnight of MGC Pharmaceuticals Ltd (LON:MXC) and Kanabo Group PLC (LON:KNB).

What's happened?

Before we look at the players in this nascent London sub-sector, it is probably best to look at why they are coming on the market now.

In short, it is a heady mix of legislative and regulatory changes, along with the current market hunger for IPOs.

The changes to financial regulation were significant in opening up the UK market to potential growers, retailers and end users, but they were slow to come amid conservatism that probably still lingers from the days of Reefer Madness propaganda films.

Medicines derived from cannabis were made legal in 2018 but there remained a grey area around the Proceeds of Crime Act.

But finally, in September last year, the Financial Conduct Authority gave its gold seal of approval for UK-based medicinal cannabis companies to list their shares publicly.

While cannabis patient numbers in the UK are still low, they are rising at a consistent pace, with the Australian market said to be where to look for how Britain's domestic market could develop.

Australia, which is said to be around 18 months ahead of the UK, has seen numbers of active patients rise from fewer

Price: 0.066

Market Cap: \$147.1 m

1 Year Share Price Graph



March 2020 September 2020 March 2021

Share Information

Code: MXC

Listing: ASX

52 week High Low
0.13 0.015

Sector: Cannabis

Website: www.mgcpharma.com.au

Company Synopsis:

MGC Pharmaceuticals Ltd (ASX:MXC) is a European based bio-pharma company developing and supplying affordable standardised phytocannabinoid derived medicines.

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than 500 three years ago to roughly 30,000 today, according to FreshLeaf analytics, which tracks the industry.

Looking at the market globally, the medicinal use of cannabis has been legalised in 40 countries, with most US states having declared medical cannabis an essential product in the pandemic with both the WHO and EU proposed rescheduling cannabis under global drug treaties to acknowledge cannabinoids have medicinal value.

Chrystal Capital Cannabis Advisory, an investor in early-stage cannabis companies, reckons the global industry could grow to over US\$100bn of annual revenues in the next three to four years from US\$20bn currently.

Cannabis companies and funds in London

With the ball set rolling, MGC Pharmaceuticals, which is based in Europe and was already listed on Australia's ASX and on the US Pink Sheets, sealed its **London IPO with a £6.5mIn fundraising** last week and became the first cannabis-sector company to float on the main market of the LSE.

The funds, which are intended to be used to advance clinical trials of two drug candidates, increase distribution and complete construction of manufacturing facilities in Malta, were raised at 1.475p and the shares have since climbed almost tripled to 4.3p.

MGC said this week that its pre-clinical research program into the use of cannabinoids in the treatment of aggressive glioblastoma brain cancer **has been expanded** to explore the use of other treatment delivery systems, including the nanoparticle delivery system used successfully in its ArtemiC clinical trial into the treatment of COVID-19.

On Tuesday this week, Kanabo Group, maker of vaporisation and inhalation technology for cannabis, saw its shares go even higher, rocketing over 200% on its first day on LSE full list, having raising £6mIn at 6.5p per share.

Based in Tel Aviv, where it draws upon an Israeli market where cannabis was approved for medical use in the 1990s, Kanabo has already started selling its VapePod metered-dosage device as part of a pilot scheme and said it "expects to soon be ready to scale up its sales".

There were already other angles for investors to get access to the cannabis theme among companies listed in London, however, including World High Life PLC (LON:LIFE OTCQB:WRHLF), an investment company focused on the medicinal cannabis, hemp and CBD industries.

This week, the group, which is listed on London's Aquis Growth Exchange, reported that its wholly owned Love Hemp subsidiary has enjoyed a "strong increase in demand" during the pandemic, with revenues nearly doubling on the prior quarter.

In fact, next month World High Life is planning to change its name to Love Hemp Group PLC, to build on the success of this CBD and hemp products business and "propel the Love Hemp brand to global recognition".

Also on Aquis is Sativa Wellness Group Inc (LON:SWEL), which last week **submitted its novel food application** for validation to the UK's food standards regulator.

The CBD specialist said the submission incorporates the "extensive array" of products under its Goodbody brand, including oil-based food supplements, gummies, soft gel capsules and sports recovery gels, as well as wholesale bulk CBD ingredients.

"This is a significant milestone for the company," said Sativa's executive chairman Jeremy Thomas. "The CBD market is likely to consolidate around the major players that put product quality and regulatory compliance at the forefront. Sales channels in the UK will open up and smaller players will likely fall away."

There is also, FastForward Innovations Ltd (LON:FFWD) an investment company with a broader growth-company remit and a growing focus on cannabis.

In recent weeks, FastForward **took a 0.3% stake in Kanabo** as part of its IPO and invested A\$1mIn Aussie-listed Little Green Pharma as part of a placing. Other related investments of FFWD include Emmac, one of Europe's leading producers and supplier of medicinal cannabis, hemp and other derivative products; and Yooma, a hemp-based wellness products firm that is looking to make strides in Asia.

For investors wanting to approach the sector even more broadly and on both sides of the Atlantic, there is The Medical Cannabis & Wellness UCITS ETF (LON:CBDP), which last month celebrated its first anniversary.

The thematic ETF, a collaboration between HANetf and Purpose Investments, is up more than 80% since launch from tracking the Solactive Medical Cannabis and Wellness Equity Index, where at the end of last month the biggest holdings were in GW Pharma, Innovative Industrial Properties (NYSE:IIPR), Scotts Miracle-Gro (NYSE:SMG), GrowGeneration Corp (NASDAQ:GR), Amyris Inc (NASDAQ:AMRS) and Arena Pharmaceuticals Inc (NASDAQ:ARNA).

Roll up, roll up

Behind these recent arrivals, there is a queue of cannabis-related companies planning to list on London's main market and AIM junior market in coming weeks and months.

Closest to a listing is perhaps Cellular Goods, a consumer CBD brands business that is understood to be backed by David Beckham's DB Ventures, which said this month that it is looking to raise £8mIn as part of a London IPO.

With the new cash needed to develop and launch a new range of premium consumer products, Cellular said it is aiming to be the LSE's **first pure-play consumer CBD brands business**.

Another with some famous friends is South West Brands, whose boss recently told the Evening Standard newspaper that it is aiming to "launch The Hut Group of cannabis", helped by a recent investment by FastForward Innovations.

The company's chief executive, former City banker Rebekah Hall, said that South West will bring "scale and purpose-led products to a segment that lacks real consumer cut through", with the aim to "leverage celebrity and retail partnerships" to bring cannabis into the mainstream through the launch of various consumer products.

Without the razzmatazz, Northern Leaf is also eyeing listing as part of its aim to lead the development of a new pharmaceutical-grade hemp cultivation industry on the isle of Jersey.

The plan is to develop as a low-cost grower, wholesaler and distributor of traditional flower before building a vertically integrated operation, having already overcome a significant barrier to entry by landing only the second ever Home Office-sanctioned THC licence, some 22 years after GW Pharma became the first.

If that wasn't enough, Grow Group Plc, which runs three business units: Grow Pharma, Grow Trading and Grow Biotech, is also on the IPO trail.

Last week the Grow Pharma arm **struck a deal with cannabis and pharma giant Tilray** to import and distribute the latter's medical cannabis products in the UK, just a week after saying it has started trials to extract cannabis-based medical products in the UK, another rarity where the trail was blazed by GW.

Grow signalled its intent by launching a £6mIn pre-IPO funding round in December, on the back of £7.5mIn of previous series A and B rounds.

Boss Ben Langley, who says the company's purpose is to "**get quality cannabis medicines to the patients that need them**", sees the European market developing in a more regimented and organised way than North America, where the addition of recreational weed complicates the story.

In a nutshell, that could be why - some 20 years after GW Pharma first listed on AIM - that cannabis investment in London could finally move from the fringe to the mainstream.

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