

High rollers



Neil Mahapatra, 38 (left), and Gavin Sathianathan, 40, co-founders of Oxford Cannabinoid Technologies

The rise of Britain's cannabis capitalists

In ten years the British marijuana market will be worth £13 billion – we already grow more 'legal weed' than any other country. Now young entrepreneurs are banking on the UK's green rush. Rhys Blakely meets them

PORTRAIT Jude Edginton

It's 8pm on a crisp London weeknight and the bar, a smart little place nestled in a basement off Oxford Street, is packed. A suited-and-booted crowd are sipping on craft beers and chatting up potential business partners. Cards are being exchanged and the air is thick with talk of "market verticals" and "investment inflows". The evening is brimming with a slightly breathless, nothing-can-stop-us zeal – a brand of enthusiasm I recognise from the years I spent in California covering Silicon Valley for this magazine.

The first two people I talk to are lawyers who clam up and shuffle off when I say that I am a journalist. Most of the crowd are friendlier and, as the beers flow, so do the stories. One chap, a director of a primetime TV drama, invites me to visit his farm in Cambridgeshire and tells me how he's helping to build a racing yacht for the America's Cup out of a fantastic plant-based material.

Others talk about setting up subsidiaries in the Caribbean. There's a hyper-eloquent lobbyist who recently got the chance to buttonhole Theresa May. Another man tells me



Sathianathan and Mahapatra

Albright Capital Management, an investment firm chaired by Madeleine Albright, the former US secretary of state. You could hardly have a more upright calling card.

This, you feel, is probably very useful, because one of Mahapatra's other big ventures involves an altogether more colourful business sector – the world of pot, where his investors include the rapper Snoop Dogg and his partners include Oxford University.

He talks me through the business plan. Oxford Cannabinoid Technologies (OCT), he explains, was set up to unravel the secrets of a plant that has been stigmatised for decades. Working with dozens of scientists at several universities it plans to isolate the active molecules in various strains of cannabis. These "cannabinoids" will be recombined to produce standardised blends, which will be subjected to rigorous research.

It is exploring four main areas: can cannabis compounds be used to treat pain, inflammation, neurological disorders and cancer? "We do absolutely want to find out if there are combinations of cannabinoids that could cure cancer," Mahapatra tells me.

hires in the UK and is eager to apply artificial-intelligence techniques to explore whether bespoke combinations of cannabinoids might one day be prescribed according to a patient's DNA. The next phase of growth around cannabis "is going to be around AI, machine learning, understanding our individual genetics", he tells me. If he and Mahapatra pull off their plans, they'll be remembered as the Larry Page and Sergey Brin of pot.

Competition, though, is fierce on the cannabis frontier. Over the past decade or so, marijuana has moved out of the shadows. In Britain, medical cannabis has, in theory, been legal since the autumn. You can travel the length of the western seaboard of the US today entirely via states where recreational pot is permitted at a local level. The marijuana industry, for years the preserve of criminal cartels, will be showcased at the World Economic Forum in Davos next month. Coca-Cola, the world's largest beverage group, is said to be pondering a (non-intoxicating) cannabis-based drinks range and in October, Canada legalised recreational pot, triggering an investment

equipment to test pot purity and potency. "We have a 'seed to consumer' strategy," he says.

"We want to grow it, extract what we need, test it and brand it – we want to sell medicinal cannabis."

Was there a moment of epiphany? "Yeah – it was seeing the money, the inflow of investment in Canada and the States."

That people can talk about market valuations signals just how far cannabis has travelled from its underworld roots. Both Mahapatra and Sathianathan have MBAs from Harvard Business School, where they met a decade ago. Mahapatra is a former investment banker who cut his teeth at Morgan Stanley before becoming Lord Rothschild's personal "investment executive".

His mother and father, immigrants from India, were both doctors and they sent their only child to Eton. "If I'd had a sibling they wouldn't have been able to afford it," he says.

He is, he adds, an example of what's possible "when somebody is given every opportunity".

Sathianathan, meanwhile, was raised in Bedford where his mother was a nurse and

"I always end up coming back to the Bill Gates quote on change," he says when we meet in a café near Borough Market in London. "We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten."

He first started looking at pot in earnest about four years ago when one of the emails that Harvard Business School sends to its alumni each month included a case study on "marketing marijuana in Colorado". Intrigued, he shared it with Mahapatra. Sathianathan then spent three weeks walking across Spain (his wife agreed to look after their two young children) to think over the opportunity.

"Cannabis is on a journey – from drug to medicine to lifestyle," he concluded. He took his family to live in Boulder, Colorado, where cannabis was made legal six years ago, for four months in 2015 to investigate the market.

While he networked, his wife, he says, would go to cannabis dispensaries with her friends, "middle-class women who live in London and were visiting us, and she'd say to me, 'This is just like going to a Kate Spade shop or a beauty parlour.'"

IF THEY PULL THIS OFF, THEY'LL BE REMEMBERED AS THE LARRY PAGE AND SERGEY BRIN OF POT

about how he made a fortune years ago rolling out one of Britain's first mobile phone networks – "People said it would never catch on," he says, chuckling – and how he's now convinced that he's pinned down The Next Big Thing.

By now I've headed to ground level, where it's easier to hear what people are saying. Then, in from the pavement, comes an unmistakable waft of what's been at the heart of each of these conversations – the dank, glandular, cat-pee-and-pine-forest whiff of weed.

This event happens each month and is called "First Wednesday" – a nod to the "First Tuesday" networking evenings that were held in London 20 years ago for internet entrepreneurs, as consumer interest in the world wide web began to blossom. The First Wednesday crowd believe that we are on the brink of a similar revolution.

The country, they are betting, is ready to embrace marijuana, first as a medicine and later, perhaps, as a recreational substance. Cannabis, they argue, has miraculous properties: it will treat all manner of maladies and make a handful of early movers in the UK incredibly wealthy.

A new era beckons, they believe: one of Big Marijuana. The excitement is understandable. How often, after all, do you see a prohibition

overturned? And the numbers being bandied around are staggering. Prohibition Partners, a "cannabis intelligence" outfit, has estimated that the British market for medical marijuana could be worth £8 billion a year by 2028 and is suggesting that legal recreational pot could add a further £5.3 billion. Grand View Research Inc, another analyst, predicts the global market could be worth £116 billion by 2025.

A couple of weeks later, I'm standing in Neil Mahapatra's office high above Mayfair and thinking about the extraordinary lunge that pot has made into the mainstream of British society. Mahapatra, 38, is a genial, high-flying and ever so slightly ruffled Old Etonian with one of the most extraordinary CVs I've seen. One of his previous jobs involved overseeing the private equity investments of Lord Rothschild, one of the richest men in the world.

At Oxford University, where he read biology, he was president of the Oxford Union; on his post-sixth-form gap year he conducted genetic research with the Nobel laureate James Watson, a co-discoverer of the structure of DNA. To relax, he tells me, he likes to play piano and that he's working on Rachmaninov's Piano Concerto No 3.

Today, he owns and runs Kingsley Capital Partners, an outfit that has a partnership with

The motivation is partly personal. In 2012, his mother – "a doctor who never smoked, never touched a cigarette" – was diagnosed with stage 4 lung cancer. "Eighteen months later, she was gone," he says.

When the diagnosis arrived, he began hunting for information. "You have heard the stories about cannabis. Someone's got a mate, who's got a mate, who has been cured with cannabis oil. So you google 'cannabis' and 'cancer'. That led me to start reading an awful lot about it. It just becomes clear that nowhere near enough work has been done."

A little later, in the name of being candid, he clarifies that he wouldn't have got involved if he didn't also think that there was a serious amount of money to be made.

It's a view you'll often hear from Britain's swelling ranks of cannabis entrepreneurs: that this country's world-leading biotech industry has had its hands tied for the past 40 years, forbidden from exploring the potential of a weed whose properties have been wondered at for millennia. A few days later I meet Mahapatra's business partner, Gavin Sathianathan, who co-founded OCT.

Sathianathan, 40, has a degree from Imperial College and a background in technology and digital data. Eloquent and personable, he was one of Facebook's first

stampede that recalled the giddiest days of the Nineties dotcom boom.

"It's a good analogy," Mahapatra tells me of the comparisons with the boom years of Silicon Valley. "There is a gold-rush mentality to it. That leads to innovation. There's a huge number of new companies – it's very exciting.

"The flipside is that the hype has led to some absurd overvaluations. The bad companies, of which there is a great morass, will come down in value – and fast."

In London, Mayfair's private family investment offices are circling the "green rush". The people I speak to at the networking event include Jeremy Thomas, chief executive of Sativa Investments, a cannabis-focused investment fund that listed on the Nex equity market in London in March. "I sold my business a year and a half ago – £53 million, cash in pocket – and was looking for something else to do," he tells me.

He was invited to "a conference about weed" in Canada, where billions of dollars have flowed into a handful of companies vying to command the newly liberalised market. "And my entrepreneur instincts suggested that I should get into it in the UK."

He's now looking to raise £10 million to build a 7.5 acre greenhouse in Wiltshire. He says he's already spent £750,000 on laboratory



Billy Caldwell and his mother, Charlotte, who won the right to use cannabis oil to treat Billy's epilepsy

his dad a civil engineer. After graduating from Imperial College he worked for the management consultants Bain & Company and for Endemol, the TV production company behind *Big Brother*. During a stint at Tesco he worked on how to leverage the customer data it gathers through its loyalty cards.

While Mahapatra brings finance experience, Sathianathan says that his strengths lie in building teams that execute plans. He speaks with a precise economy and peppers his conversation with aphorisms garnered from tech entrepreneurs.

He and Mahapatra went on to acquire a licence to run a cannabis dispensary in Arizona. However, that adventure ended when Donald Trump was elected in November 2016. Trump appointed as his attorney-general Jeff Sessions, a deeply conservative former Alabama senator who was avowedly anti-marijuana. As Sessions launched a crackdown, Sathianathan had his US bank account frozen and he came back to Britain. The US system – where cannabis remains entirely illegal at the federal level despite being permitted by several individual states – was, he concluded, too capricious. The hope was that operating across Europe would make more sense. Brexit, he sighs, may change that.

But Sathianathan still fizzles with evangelism. What's currently happening to cannabis amounts to "the biggest rebrand" of all time, he tells me.

Marijuana, he says, is an "amazing plant", the potential of which has been crushed for decades by misinformation. "I feel that all the research that we should have done in the past 80 years, we've somehow got to cram into the next 8.

"That requires a huge effort from entrepreneurs, scientists, academics, universities, companies – there is clearly something in this that is worth exploring." ➤

Britain's attitudes have already shifted. Over the summer, the ordeal of Billy Caldwell, a 12-year-old boy with severe epilepsy, forced the government into a landmark concession. Billy's seizures had been controlled when he was given a pharmaceutical-grade cannabis oil produced in Canada, but when his mother tried to bring the medicine into Britain, it was taken from her at Heathrow by the Home Office.

When the seizures restarted, Billy was hospitalised. Amid public outcry, Sajid Javid, the home secretary, issued the boy's family with a 20-day licence for his medicine. A precedent had been set and on June 19 Javid announced a shift in policy. There was a pressing case for letting people who might benefit from cannabis treatments have them, he said.

A review should not be seen as a first step towards the legalisation of cannabis for recreational use, Javid insisted. But the creep of marijuana into the mainstream was already under way. One compound found in cannabis and in the closely related hemp plant, known as cannabidiol or CBD, can be bought on the high street as a health supplement. Shop assistants in Holland & Barrett will tell you that it's one of their biggest sellers – at £22.49 for 10ml. The production cost is probably around £4. As of January this year, there were an estimated 250,000 CBD users in Britain – double the number reported in late 2016.

Another cannabis component, tetrahydrocannabinol or THC, which gets cannabis smokers high, is found in Sativex, a medicine prescribed to treat spasticity in multiple sclerosis, which is made by GW Pharmaceuticals, a British company.

Indeed, the International Narcotics Control Board, a monitoring organisation linked to the UN, has said that Britain is the world's largest exporter of legal cannabis for medical products. In 2016, nearly 100 tonnes of legally grown weed was harvested here, twice as much as a year earlier and more than any other country.

In October, however, newly unveiled NHS guidelines on how cannabis medicines can be distributed provoked dismay from potential patients. Only hospital consultants can prescribe cannabis-based medicines and only when all other treatments have failed. A dozen families of severely epileptic children wrote to *The Times* to say that they faced the "cruel and ridiculous" prospect of being forced to travel abroad for treatment even though the drugs were now technically legal in the UK.

This was a reminder: there is a long way to go before cannabis delivers on the hype. Weed might have a positive effect on people suffering from conditions such as Parkinson's and chronic pain. It might ease chemotherapy-induced nausea and be fêted as a treatment for MS, glaucoma, irritable bowel syndrome,

post-traumatic stress, sickle cell disease, Tourette syndrome and Crohn's disease. But it has also been linked to mental health problems and there are quality issues with much of the scientific research on its positive effects. It's still a Class B drug and possession can lead to a five-year prison sentence.

The tight NHS guidelines cast something of a shadow over the First Wednesday event that followed. Thomas, the CEO of Sativa, offered the jar-half-full view. "The current political changes are welcome, but we've got off on a slightly damp squib basis," he said. "The door is now ajar; it needs people to provide education to allow the door to open completely."

A lobbyist, who had drunk a beer or two, was less phlegmatic. Much of the country has been duped into thinking that there's been a step change in "fair access to medical cannabis for people who need it", he said. "But realistically that's just not possible. Only hospital consultants can supply this class of medicine, and none of them has ever studied it. None of them knows anything about it.

"You and I know how hard it is to see your bloody GP, let alone a hospital consultant. All

The government needs to think about distribution, regulation and security. He's aghast at "horror stories" that have emerged from Colorado, where cannabis has been recommended by dispensaries to pregnant women for their morning sickness.

"It could easily be the case that we find something in cannabis that causes cancer," he says. "In which case, I think the world needs to know that. It's not just research to push forwards the benefits. It's research to find out what on earth is going on.

"I think the medical arguments are overwhelming or, at least, have the potential to be overwhelming. The recreational argument? I'm 50/50 on it."

Sathianathan is less sanguine. "The first step is always the hardest, but this is not working for anyone right now. My view on the regulations is that they're not fit for purpose. Things need to change," he says.

"Fundamentally, this is about a lack of education in the mainstream establishment about the consequences of cannabis.

"But the question is, who educates the educated? Who is developing courses for our

WAS THERE A MOMENT OF EPIPHANY? 'YEAH. IT WAS SEEING THE MONEY'

that we've achieved over the past six months is to normalise a class of medicine that you can't get hold of. It's resulted in a massive boon to the criminal class and the black market. It's a terrible outcome."

Meanwhile, OCT hasn't been free of controversy. Its claims to be interested purely in healthcare were called into question in the summer when it emerged that Imperial Brands, which makes cigarettes, had taken a reported £10 million stake in the business. The move was interpreted by some as a stealthy push into the cannabis industry by big tobacco.

Mahapatra argues that where the money is going, not where it's from, is what counts. "From my perspective, any money that's not going into developing cigarettes and is going into good things, such as research that could help people, is great," he says.

The summer brought a perfect storm, he adds – a combination of "a proper need for cannabis-derived products", a sympathetic media and a new home secretary.

"I'd imagine that the First Wednesday disappointment was driven by the fact that they were expecting to be able to get a prescription and then pick up a bag of weed from a pharmacy. We're years away from that, and rightly so," he says.

doctors? And where does cannabis sit in those curricula? There are a handful of practitioners and doctors in Europe who have invested the time to learn about this stuff, but not enough."

Germany voted to legalise medicinal pot last year. "But only 2 per cent of doctors in Germany will prescribe it. Having a well-regulated framework is a necessity, but in itself it's an insufficient step."

Where the business partners agree is that the risks are outweighed by the potential payoffs, both financial and therapeutic. And this, it seems to me, hints at how something really has changed. For years it appeared that the real argument against cannabis was moral – if it was banned on health grounds, why permit alcohol and tobacco?

The stigma, it seems, has now lifted. During his long walk through Spain, Sathianathan says that he dismissed the chance of "reputational risk" on the first day.

Mahapatra agrees. A blue-chip background might still set him apart in the world of weed, but nobody's pulled him aside. "Not a single person has come up to me and said that, reputationally, this is not the wisest move. I have not had that discussion yet.

"Everybody appreciates the size of the opportunity. Nobody has questioned whether we're crazy or not." ■