



Our 2022 REVIEW + 2023 PREDICTIONS

We appreciate that **2022 was a tough year for many startups and venture funds. Thankfully, we can report that Óskare Capital had a fantastic year**, one in which we completed our first close, allocated capital at fair valuations, and supported our portfolio companies to achieve milestones and growth objectives.

Although many venture funds are writing down valuations of their investments made in the fever of 2019-2021, at **Óskare we avoided those overly frothy market conditions**. Unlike other Sectors this past year that have been susceptible to the macro public and private market bubble, **the medical and pharmaceutical cannabis Sector had an earlier and major correction in 2019, in addition to a further correction in 2022**. This had the effect of culling many of the unrepeatable and unfeasible businesses well before the wider macro correction of 2022 as well as chilling the overall valuations. Based on our investment thesis, our network and deal flow we were in a position to take advantage of reasonable valuations and establish an Irish financial product for long term growth. **Our portfolio and pipeline consists of companies that have managed to weather not one, but two, significant periods of capital scarcity**

Against a background of economic uncertainty and volatile asset values we see this Sector as one of the most disruptive, visible and transformative themes contributing to innovation in medicine, health and wellness in the current decade. Óskare Fund I has differentiated itself from others in this broad medical and pharmaceutical cannabis Sector by focusing exclusively on the well regulated medical cannabis B2B market and on game-changing medicines targeting the Endocannabinoid System (ECS) that have significant IP protection and market opportunity.

Demand from patients for alternative ECS based drugs continues to grow and there is no sign of this pace slowing down in the near future. Also, the high level of interest in the science of the ECS continues to be demonstrated by the **record number of publications in the medical and scientific literature** attesting to the role of the ECS in health and wellness as well as its role in a variety of medical conditions. This reaffirms Óskare Fund I's thesis- to **focus on science and technical innovation, and to invest in true game changers for the well-being of humanity**.

Óskare Fund I's first close was completed in July 2022 enabling the team to establish its portfolio, taking advantage of these optimal market conditions. At year end, we are proud to count 4 investments in 3 different countries covering different aspect of our investment thesis: **Herbolea**, extraction technology (Italy); **Octarine**, synthetic biology platform (Denmark); **Cellen**, online pain clinic (United Kingdom) and **Prohibition Partners** a media and market-place (United Kingdom).

Though economic headwinds are subduing VC activities globally, the fundamentals remain strong for our thesis with favorable valuations for our current and next top-of-the-pack investment opportunities. We are confident the portfolio we have assembled so far will substantially over perform the current market. **They are well funded, have great teams and their markets are growing at double digit CAGRs**.

There are some pure- play pharma opportunities currently under our watch and **we have a short list of target companies that address compelling unmet medical needs in oncology, epilepsy, autism, dementia, and rare diseases**. With our second closing scheduled for Q1 2023, we will deploy funds in some of these target companies imminently.

Last year, we made a list of bold predictions on where the market was going. We are proud to see that a lot of them came true. Now, investors are asking us about where the market is going in 2023. We are pleased to release our new set as well as share the links to 4 recent articles that can further your understanding of the Sector.

We look forward to seeing you and sharing our latest news. With best wishes to you and your families in 2023.



MOST OF OUR 2022 PREDICTIONS CAME TRUE (FROM OUR Q1 2022 NEWSLETTER)

1. 1-2 more big pharma acquisitions in endocannabinoid system therapeutics
✔ **Correct:** Arena Pharmaceuticals was acquired by Pfizer for 6.7 B\$ in March 2022
2. Corporate venture funds will invest in at least one European cannabinoid company
✔ **Correct:** in Q3 2022, DSM Ventures invested in Octarine Bio
3. Public cannabis stocks will rebound in the short term, precipitated by a wider correction that will create a sustained buyers market
✔ **Correct:** Q1 2022 improved and then approx -50% decrease in average market cap in Dec 2022
4. Private market capital inflows will level out, increasing companies' reliance on incumbent funding sources
✔ **Correct:** On disclosed private rounds, funding in down from 1.4 B\$ in 2021 to 0.5 B\$ in 2022, leveling out the growth in allocations for the sector with a reversion to mean
5. Increasing attention to ESG, especially regarding environmental footprint
✔ **Correct:** One example, ASTM has set up a subcommittee on cannabis sustainability
6. Following Germany, another major European country will announce recreational cannabis legalization
✔ **Correct:** Czech Republic. Switzerland and Netherlands have also started a trials in 2022 for adult use legalization
7. 30-40% of CBD brands and growers will go bankrupt or consolidate, with leaders emerging
↔ **Appears Correct:** Although this is comparatively difficult to assess, there has been a significant slow down in B2C funding
8. Another European cannabis or endocannabinoid "Unicorn" will emerge (after GW Pharmaceuticals)
✘ **Not yet.** A tough environment for valuations in 2022 limited opportunity. The Óskare team projects that there will be a life sciences company targeting the ECS that can achieve Unicorn status

2023 PREDICTIONS

Overall, **Óskare Capital** projects that medical and pharmaceutical cannabis companies will continue to offer a unique opportunity of low valuations in a high growth sector, whilst recreational cannabis markets will continue to be volatile and plagued by politics and poor regulations.

- ★ European medical cannabis (pharma) markets will take investment away from recreational markets as investors prioritise stable and developed regulation with scientifically proven products
- ★ Global recreational cannabis markets will continue to be dogged by asymmetric regulations that will dissuade financial institutions from participating in the recreational sector due to the regulatory risk
- ★ Macro financial markets will continue to struggle as inflation falls slower than is currently priced into markets but institutions will increase capital deployment in H2 2023 to take advantage of low valuations in public and private markets as pathways out of recessions become clearer
- ★ There will be another multi-billion dollar exit in the medical cannabis - endocannabinoid space in 2023-2024, and it will be a sale of a biotech company to big pharma
- ★ One or more of the Canadian big 5 LPs will go bankrupt, be delisted or taken over (Canopy Growth, Tilray/Aphria, Hexo, Aurora or Cronos)
- ★ Average valuations of private deals in Europe will remain flat or fall in 2023, particularly those of German companies in the recreational cannabis market as the infrastructure and regulatory framework takes longer than expected to establish
- ★ Phase 2-3 data for a new medication (unmet need) that acts on the ECS will be presented/published setting the stage for future submission to global regulatory agencies



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**ÓSKARE
CAPITAL**

GENERAL UPDATE

ÓSKARE CAPITAL 2022 HIGHLIGHTS

- ★ **Óskare Fund I first closing completed**
- ★ **Blue chip corporate partner** invested with us in Octarine
- ★ **Another 200** deals screened in 2023 (over 600 deals in CRM)
- ★ **4** investments performed
- ★ Addition of **2** new portfolio companies
- ★ **5 new patents** (approved or filed) in our portfolio companies

OUR SELECTION OF ARTICLES

- + **A fast-growing sector:**
https://www.einnews.com/pr_news/587518665/europe-medical-cannabis-market-size-to-grow-at-cagr-29-5-and-industry-size-share-trends-revenue-and-forecast-to-2029
- + **The demand is driving the sector:**
<https://cannabishealthnews.co.uk/2022/12/12/number-of-legal-cannabis-patients-in-europe-grew-by-approximately-100000-in-2022/>
- + **What is the Endocannabinoid System ?**
<https://www.health.harvard.edu/blog/the-endocannabinoid-system-essential-and-mysterious-202108112569?s=09>
- + **Scientific interest continues to achieve a record level:**
<https://norml.org/blog/2022/12/27/record-number-of-science-papers-published-about-cannabis-in-2022/>

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