

Top venture investors say these 11 tech startups in the red-hot cannabis sector are set to blow up this year



Startups providing software services to the cannabis industry have become investor darlings. Confident Cannabis

- Investors are pouring money into [cannabis](#) companies, and cannabis tech is becoming an increasingly large part of the pie.

- These startups are insulated from much of the risks of investing in cannabis because they don't actually sell or distribute a federally controlled product. That frees up mainstream venture capital and private equity firms to invest.
 - We asked some of the top cannabis investors to pick out the cannabis tech startups they think will blow up this year. Read on for their picks.
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Investors are pouring money into the red-hot cannabis sector.

Venture firms invested \$881 million into cannabis startups in 2018, over the double amount raised a year prior, according to the data provider [PitchBook](#). And cannabis tech, or startups that provide hardware and software support to the industry, is becoming an increasingly large part of this pie.

It's still too early to get specific growth numbers on cannabis tech, but the area is attractive to investors since the companies don't actually sell or distribute THC, and therefore, aren't breaking any US federal laws. Like the picks-and-shovels salesman who struck it rich during the Gold Rush, these startups provide data analytics, software support, cultivation technology, and consumer products like vaporizers.

And because they don't touch the plant, bigger investors — think the Sand Hill Road set or mainstream private equity firms — are mostly free to invest. On top of that, software companies provide the rapid growth rates and higher margins that

venture capital loves, without the risk of investing in an industry that's federally illegal.

Read more: [Top investors say these 11 buzzy, under-the-radar consumer cannabis startups are set to raise fresh rounds and blow up this year](#)

These cannabis tech startups are sitting on fertile ground. Some Wall Street analysts say cannabis could be a \$194 billion global industry by 2030 — and all those companies are going to need hardware and software to support their growth.

Some of these startups, like [Pax](#), are geared towards consumers and have raised astronomical amounts of money at huge valuations. Others, like Cellibre, have laid a bit lower, by using cutting-edge tech from the agriculture sector to biosynthesize the active components of the cannabis plant.

And last, like any other established industry, access to quality data is an edge every company is looking for. Startups like [Headset](#), a data analytics company, are looking to provide that for clients that range from cannabis cultivators and major consumer packaged goods companies, to investment banks and consulting firms figuring out ways to make money off the cannabis boom.

Business Insider surveyed a dozen of the top cannabis investors about which cannabis tech startups they think will blow up or raise fresh rounds this year.

Here are their picks:

LeafLink



LeafLink cofounders Zach Silverman and Ryan Smith LeafLink

Startup: LeafLink

Investors: Lerer Hippeau Ventures, Nosara Capital, Casa Verde
Capital

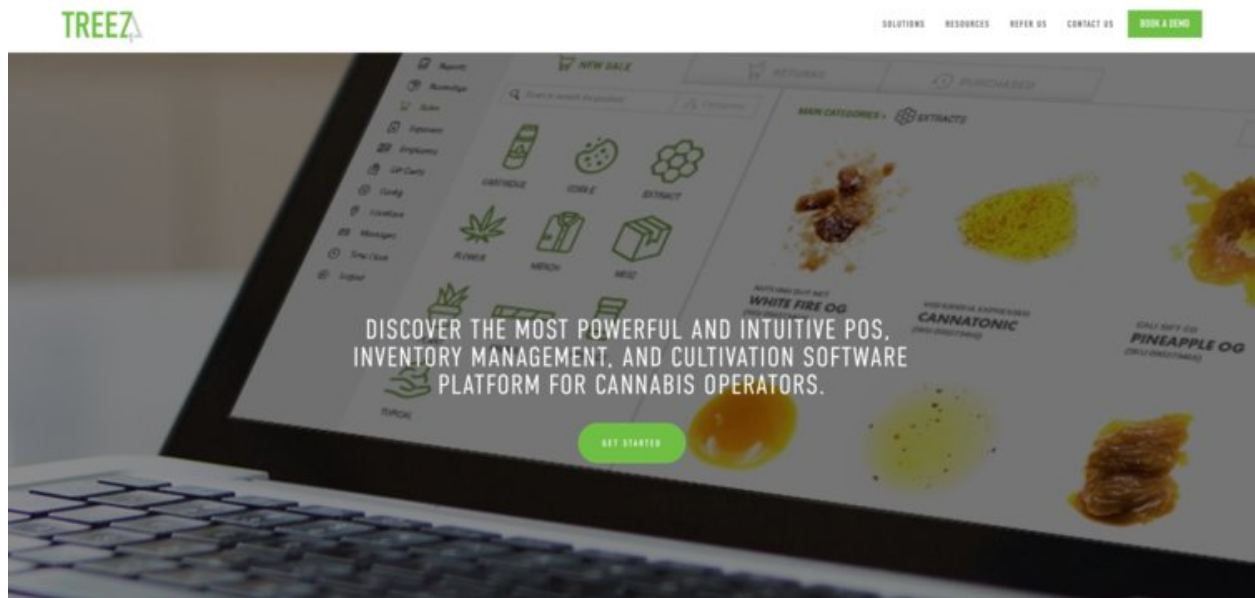
Recommended by: Andrea Hippeau, principal at Lerer Hippeau
Ventures

Relationship: Investor

What it does: [LeafLink](#) is an online commerce platform for wholesale cannabis. The startup's software provides streamlined ordering, customer relations management, as well as reporting tools for cannabis dispensaries.

Why it's hot: "Before LeafLink, dispensaries were running their businesses on Post-It notes with absolutely no software or technology," said Hippeau. "LeafLink has developed a platform that addresses the unique needs of cannabis companies and has become the system of record for the industry."

Treez



Treez [Screenshot/ Treez](#)

Startup: Treez

Investors: Welcan Capital, AFI Capital Partners, Intrinsic Capital Partners

Recommended by: Vikas Desai, partner at Welcan Capital

Relationship: Investor

What it does: Treez is an enterprise software platform for cannabis retailers. The startup provides payment solutions and seed-to-sale tracking software for cannabis dispensaries and cultivators.

Why it's hot: "With over 25% market share in California, their ability to solve key pain points will continue to drive adoption both in CA and with national cannabis operators," said Desai. "Brand Treez, their newest initiative to standardize information for brands and distributors across their sales channels is an example of how they enhance stickiness and will become a central repository for information and valuable customer data."

Headset



Cy Scott, Headset's CEO. Courtesy of Headset

Startup: Headset

Investors: AFI Capital Partners, Canopy Rivers, Poseidon Asset
Management

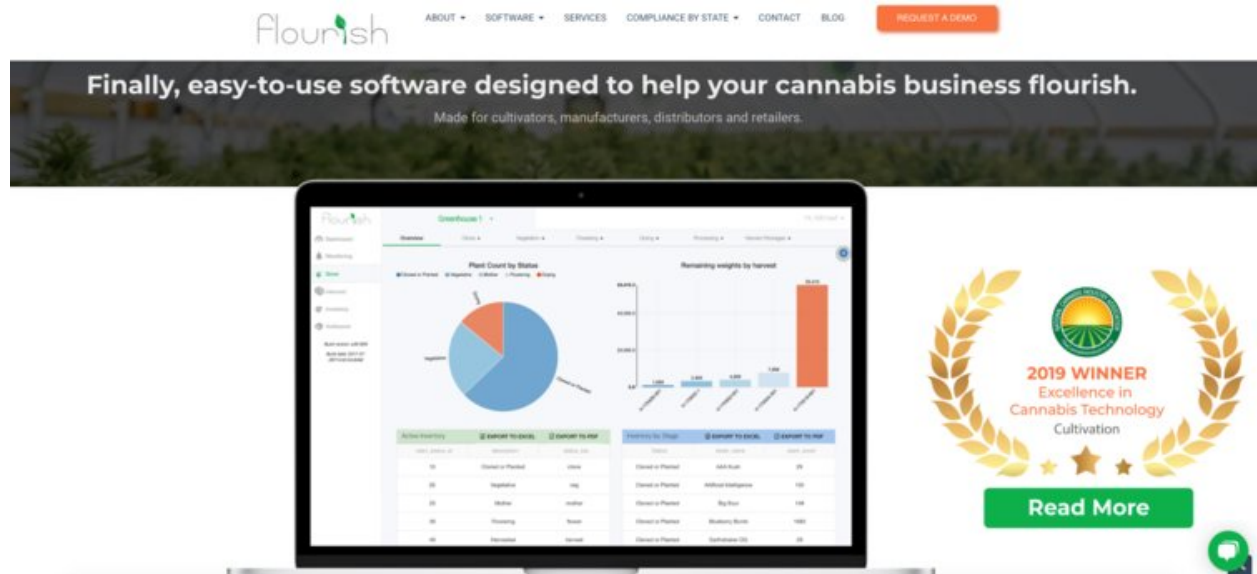
Recommended by: Narbe Alexandrian, president of Canopy Rivers

Relationship: Investor

What it does: Headset is a data analytics startup focused on the cannabis industry. The startup recently [inked a partnership with Nielsen and Deloitte](#) to provide insights on the cannabis industry to major consumer packaged goods companies.

Why it's hot: "Relative to the traditional CPG industry, the cannabis sector is working backward," said Alexandrian. "Brands are being developed blindly, without looking at data around consumer trends and retail buying behavior. Headset is the first and only real-time retail business intelligence platform in the market today. Backed by a strategic relationship with Nielsen, the company provides brand managers with insights on price, volume, market share, and buying trends."

Flourish Software



Flourish Software's website. [Screenshot/ Flourish Software](#)

Startup: Flourish Software

Investors: 7thirty

Recommended by: Micah Tapman, managing partner 7thirty

Relationship: Investor

What it does: Flourish provides enterprise seed-to-sale, supply chain, and analytics software for cannabis dispensaries.

Why it's hot: Flourish Software is "well-positioned to bring a much-needed level of professionalism and experience to the nascent cannabis software ecosystem," said Tapman. "The team's prior experience solving similar problems in traditional industry gives them a big advantage when solving the problems of multi-location cannabis firms."

TriGrow Systems



Trek Manzoni, SVP at TriGrow Systems. TriGrow Systems

Startup: TriGrow Systems

Recommended by: Krishnan Varier, principal at Arcadian Fund

Relationship: Investor

What it does: TriGrow is a cannabis cultivation technology company that provides both hardware and software solutions to cannabis growers. The startup also designs plant nutrient regimens to optimize potency for different strains of cannabis.

Why it's hot: "TriGrow's customers benefit from higher margins in a cannabis cultivation marketplace that's growing incrementally cost competitive," said Varier. "It does this by equipping cultivation facilities with its self-contained "vegetative flowering units" (VFUs), each independently software-controlled, and each constantly recording hundreds of environmental data points throughout the cultivation process. That data is then analyzed against the plant's genomic profile and chemotype to provide actionable feedback to the master grower."

"TriGrow launched commercially in 2018, and we believe they are poised to quickly ramp new customer acquisition as more sophisticated cannabis cultivators make investments in automation."

Pax Labs



Pax Lab's Pax 3 vaporizer. Courtesy of Pax Labs

Startup: Pax Labs

Investors: Tiger Global Management, Tao Capital Partners, Prescott General Partners, Navy Capital

Recommended by: Sean Stiefel, CEO at Navy Capital

Relationship: Investor

What it does: Pax Labs manufactures a line of high-end marijuana vaporizers. The company recently raised \$420 million in funding — the largest in the cannabis industry to date — and is gearing up for an IPO next year.

Why it's hot: "Pax is one of the few known brands in the space," said Stiefel. "In any hardware category there are usually only a handful of winners and we believe Pax has built a wide moat around themselves. That moat has allowed them to raise the most capital of any US cannabis company in a single round and will likewise enable them over time to roll up assets and enter new verticals like CBD and beverages."

MJ Freeway



MJ Freeway; Melia Robinson/Business Insider

Startup: MJ Freeway

Investors: Cresco Capital Partners, Batu Capital Investments, Roger
McNamee

Recommended by: Matt Hawkins, partner at Cresco Capital Partners


Relationship: Investor

What it does: MJ Freeway is a seed-to-sale software service that helps cannabis dispensaries comply with the often onerous local and state regulations.

Why it's hot: MJ Freeway is the "largest global cannabis technology company," said Hawkins. "MJ Freeway also offers a complete suite of professional consulting services for cannabis businesses."

InDose

Say goodbye to guesswork.



Meet the world's most precise vaporizer.

Breathe in. Chill out. And, never worry again about how much (or how little) you're going to get out of your cannabis experience. The InDose Pen gives you real control over your dose with increments as low as 0.5 mg. Plus, each pen comes pre-loaded with premium oils from your favorite strains, ready for you to enjoy with impeccable fidelity.

InDose. [Screenshot/ InDose](#)

Startup: InDose

Investors: Casa Verde Capital

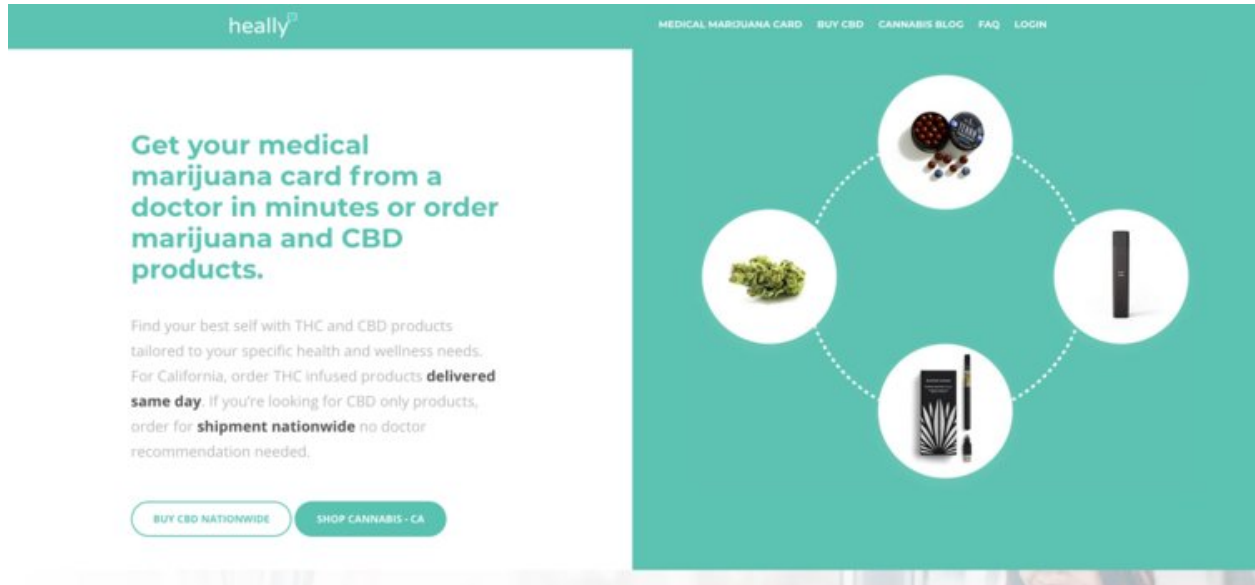
Recommended by: Karan Wadhera, managing partner at Casa Verde

Relationship: Investor

What it does: InDose manufactures precision-controlled vaporizers for medical cannabis patients that display dosage down to the milligram.

Why it's hot: InDose is "bringing medical grade precise dosing to the cannabis vape consumer," said Wadhera. "A unique form factor, with over 10 patents filed, creating an exciting platform for brands to having their own dosing vaporizer."

Heally



Heally's website [Screenshot/ Heally](#)

Startup: Heally

Investors: Calyx Peak Capital, Phyto Partners, Casa Verde Capital

Recommended by: Larry Schnurmacher, managing partner at Phyto Partners

Relationship: None

What it does: Heally is an online medical marijuana platform that offers e-consultation with physicians. The startup also operates a marketplace where patients can purchase medical cannabis products.

Why it's hot: "We believe that medical cannabis patients are still a really important part of the growing Cannabis market, said Schnurmacher. "Heally's approach to providing access to hipaa compliant medical professionals and reliable cannabis education will be a huge value to those looking for medical advice and effective treatment recommendations."

"Phyto looks to support the critical physician services that help bring CaaM [Cannabis as a Medicine], to more and more people who are looking to discover healthier alternative wellness products, vs chemical pharmaceuticals that harm health and in many cases are not effective for treatment."

Cellibre



Cellibre's website [Screenshot/ Cellibre](#)

Startup: Cellibre

Recommended by: Todd Harrison, chief investment officer at CB1
Capital

Investors: Cresco Capital Partners, Flatiron Venture Partners, Delta
Emerald Ventures

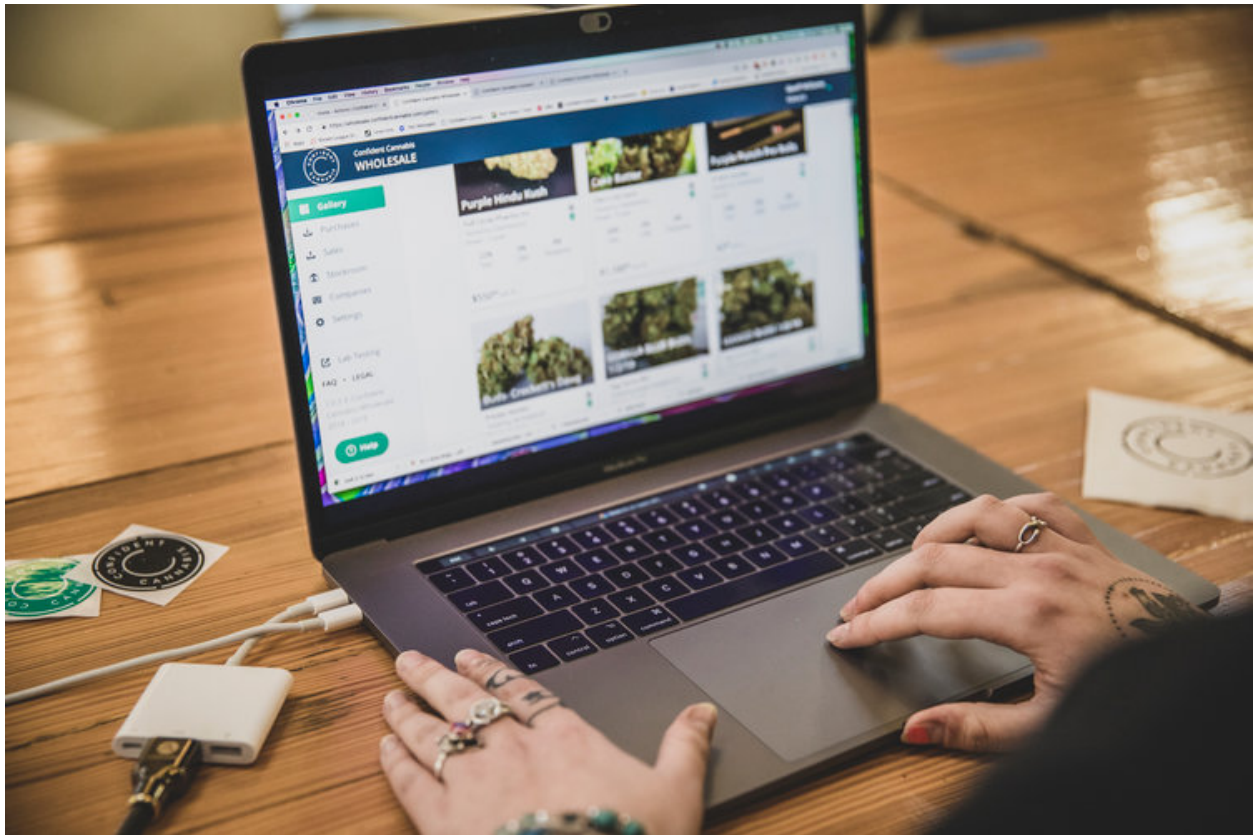
What it does: Cellibre is developing technology to biosynthesize
cannabinoids — the active chemical components of cannabis, like CBD

and THC — which will make it cheaper to manufacture these products at scale and plug them into supply chains for pharmaceuticals, skincare products, and possibly food.

Why it's hot: Cellibre has a "world-class" scientific team, said Harrison. "Their initial focus will be to enable the production of pharmaceutical-grade cannabinoids and revolutionizing the way cannabinoid-based medicines are sourced, produced and consumed."

"While the market recognizes THC and CBD, we believe the magic is in the minor cannabinoids; and bio-synthetics will provide access to these at a fraction of the time and cost"

Confident Cannabis



Confident Cannabis' online platform. Confident Cannabis

Startup: Confident Cannabis

Investors: Poseidon Asset Management, Bullpen Capital, Y
Combinator, Greenfield Global Opportunities Fund, Base Ventures

Recommended by: Emily Paxhia, founding partner at Poseidon Asset Management

Relationship: Investor

What it does: Confident cannabis is a wholesale software platform powered by data from cannabis-testing labs that helps both dispensaries and consumers buy products.

Why it's hot: "I think that they brilliantly provide technology to support the labs in the industry, helping them to run more efficiently and compliantly," said Paxhia. "They are now expanding to offer a marketplace via this channel, so operators can quickly get their tested product into the market and so other businesses can easily source tested product."

"I absolutely love and respect the team, as they have a diverse range of experience from investment and consulting to tech. They have worked quietly in the space for years and are highly respected by their fellow founders."