

Brendan Kennedy – CEO, Tilray, Canada



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06.04.2018

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Having just announced the first collaboration between a medical cannabis company and a major pharmaceutical player, Tilray expects to launch its first co-branded product with Sandoz Canada by the end of the year. Tilray’s founder and CEO Brendan Kennedy highlights the company’s main differentiation factors, including but not limited to its international reach through its presence in ten countries on five different continents.

Brendan, how did you come to the medical cannabis industry, founding Privateer Holdings in 2011 and subsequently, Tilray in 2013?

I have a background in architecture, engineering and entrepreneurship. During my career, I have built houses, software and companies. The theme has always been to take an idea and a concept, transform it into a team and a foundation, and then build a company and a brand.

Eight years ago, I encountered the subject of medical cannabis while working in Silicon Valley and identified an opportunity in this industry. To learn more and fully understand the landscape, I embarked on a world tour to evaluate the state of the cannabis industry. From the mountains of Northern California to Southern Oregon, through British Columbia and Orange Hill on Jamaica, I went to visit kibbutzim in Israel, greenhouses in Spain and coffee shops in Amsterdam. I came to understand and appreciate that cannabis was a mainstream medicine used by mainstream patients around the world. From our meetings with growers and processors, retailers, patients, pharmacists, physicians, activists and lawyers, we were convinced that the end of cannabis prohibition was inevitable.

Fast forward to today, we believe that a global paradigm shift around medical cannabis is upon us, and that the future winners of the industry will take the form of multinationals with trusted brands.

As an American, why did you decide to found your company in Canada and not the USA?

When scouting opportunities, we decided to set up shop in Canada because we identified a framework that was favorable. Canada was the first G7 nation to legalize medical cannabis and will likely be the first G7 nation to legalize cannabis for adult use as well. The regulatory framework was solid with the ability to acquire federal, rather than merely state or provincial, licenses. The system promised to be a competitive one, and the government had a hands-off approach in terms of pricing.

After raising over USD 250 million to invest into an existing company in Canada, we scouted opportunities, but did not find one we were comfortable with. So, we asked Health Canada, which oversees medical cannabis in Canada, to become a licensed producer ourselves. This is how we came to create Tilray in the fall of 2013, and the company shipped its first orders in April 2014. Today, we have 225 employees and Tilray products are available in ten countries on five continents around the world.

Tilray is one of the few companies that are still privately owned in the medical cannabis space. Why did you decide to not go public to this date?

In 2013, Health Canada had identified ten issues medical cannabis producers in the country were encountering, one of which was difficulty raising capital. Tilray's parent company, Privateer Holdings, has had experience raising capital for this industry specifically, and it has always been our advantage that we have had this capacity without having to go public like many of the other licensed producers.

This industry has its share of great announcements, big egos and empty promises, whereas Tilray has hit its milestones quietly, one at a time. We were the first medical cannabis company to export outside of North America and the first to import into the EU, for example, and the first cannabis company to secure a federal cultivation license in two countries.

What does R&D mean to Tilray?

Tilray was the first licensed producer in Canada to obtain approval to conduct a clinical trial in Canada. Clinical research has always been an important part of our DNA. We are extremely proud to be contributing to the collection of scientific knowledge on the efficacy of medical cannabis. This demonstration is what is needed today to overcome the stigma still attached to the use of cannabis as a medicine.

To this end, we are currently conducting a trial with Toronto's Sick Kids Hospital focused on children with epilepsy and a trial focused on PTSD in veterans and first responders with the University of British Columbia. Furthermore, we are conducting a trial on cannabis' effects on chemotherapy and nausea in Australia in partnership with the New South Wales Government and University of Sydney.

In addition to our production license, we have a pharmaceutical dealer's license, which allows us to produce products our laboratory that we can use for clinical trials. When we originally built our facility four years ago, we made a substantial investment in clinical research, which has largely paid off today as we can differentiate ourselves from competition thanks to our research capacity as well as our traditional pharma-specific GMP certification.

We are at a disruptive point in the medical cannabis industry and big pharma players are increasingly taking an interest in companies from your industry. Are their plans to collaborate with pharmaceutical players?

Tilray has formed an alliance with Sandoz, the generic division of Novartis, to be an exclusive partner to them in Canada. In this partnership, both companies have seized an opportunity to forge an alliance between likeminded companies that are interested in providing patients with access to new medicines. We will produce co-branded products before the end of this year and are both very excited about the tremendous potential this partnership holds.

We bring expertise in medical cannabis; we know how to cultivate and process the plant, but we are lacking the complex knowledge to build a sufficient sales force to master a market such as Canada. Sandoz is an expert in manufacturing, supply and distribution and has the know-how necessary to ensure availability of products throughout Canada. In the future, we will be able to leverage Sandoz's substantial sales force, which is something we could not build up on our own. Furthermore, our collaboration will involve the development of new product formulations. Sandoz already has the expertise to develop sprays, patches and many other form factors, and we have started thinking about what will be possible to develop for the Canadian and global market.

What educational efforts is Tilray undertaking in Canada?

We are extremely active in physician and pharmacist education, providing general information on what research is available on the benefits of medical cannabis to date. There is a healthy skepticism towards medical cannabis products, but this is also where working with a division of Novartis will be to our advantage. Sandoz's brand is precious and stands for quality and trust, thus building confidence in our products.

And what would you like the Tilray brand to be perceived as?

As the first global medical cannabis brand, Tilray will always remain a purely medical cannabis brand. We will continue to build the brand globally. Our investment in a cultivation, processing, manufacturing and distribution facility in Portugal is just one example of our international reach. Tilray already has a presence in ten countries around the world and expects to increase this number to 15 by the end of 2018.

We want to be perceived as a brand that patients, pharmacists and physicians can trust. Our significant investment in clinical trials is one aspect contributing to building trust. We will take advantage of our partnership with Sandoz to further deepen the trust in our products. Moreover, this alliance focuses on non-combustible product forms, which is where we see the medicinal market moving over time, to products that provide an alternative to smoking. Sandoz's expertise in complex chemical forms will allow us to develop new forms that will also ameliorate trust in the Tilray brand.

What makes Tilray a good partner to companies both abroad and in Canada?

What differentiates us is that there is no other company in the cannabis industry that has such scientific rigor, consistently producing high quality products. We were the first to be GMP certified and won the trust of ten different governments to import our products. Our partners have confidence in our ability to meet regulatory and compliance thresholds, and we have time and again shown our commitment to educate the medical communities and patients about our products. We are familiar with the complex procedure that a clinical trial involves and currently partner with over 12 different distributors and retailers globally. We have a proven ability to partner and repeatedly demonstrated our global mindset. We are proud of our multinational network and know that our ability to scale has been a differentiation factor for larger companies to take the leap in their decision to partner with us. Some of our partnerships took longer to forge, but this is a good sign to us, as it demonstrates that our partners are bringing in a certain level of scrutiny.

Brendan, these seem thrilling times for Tilray. What is next for you?

I am very excited about working with Sandoz in Canada, an opportunity and alliance we are looking to potentially expand to other geographies. Through capacity expansion, we will increase our capabilities by roughly 800 percent this year, not only in Canada but also in other countries such as Portugal. Tilray will leverage this capacity to increase access to products in existing and new markets. We will further focus on new form factors to explore in clinical trials. I am also looking forward to 2019, as 2018 is going to be a hectic building year, through which we have to be patient before seeing the yields of what we have been working on. We are patient investors and enjoy seeing our international revenues growing as a percentage of total business revenues, investing not only into new markets but spending time developing existing markets.

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