BDS ANALYTICS’
Top Ten Cannabis Market Trends for 2019

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2018 PREDICTIONS

The State of Legal Marijuana Markets: Prohibition is Ending
2018 Second Best Year for Legalization Ever in U.S.
The legal global industry has grown at a 38% 4 year CAGR to $12B

Historic Global Legal Cannabis Spending ($USD Billions)

Growth: 38% 40% 39% 33%

Source: Arcview & BDS Analytics Cannabis Intelligence Briefing
We project a 26% CAGR for the next 4 years to $32 Billion

Historic and Projected Global Legal Cannabis Spending ($USD Billions)

Growth: 38% 40% 39% 33% 39% 26% 24% 19%

Source: Arcview & BDS Analytics Cannabis Intelligence Briefing
The USA will continue to be the world’s largest market

Source: Arcview & BDS Analytics Cannabis Intelligence Briefing
Although the top six markets account for 2/3 of USA 2018 dollar sales, it’s no longer a “Western State” phenomenon.
Legal Cannabis is... Evolving
Market share is shifting, as seen in Colorado over the past 4+ years

Total CO Category Sales

* BDS Analytics GreenEdge POS Retail Data
Across the total US, this trend will continue

Source: Acrview & BDS Analytics Cannabis Intelligence Briefing
With Concentrates and Edibles to see continual growth and market share gains in outyears.
But flower is not dead

Source: Acrview & BDS Analytics Cannabis Intelligence Briefing
Now what?
BDS Analytics’ Crystal Ball
In no particular order...

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OUT AND ABOUT

Social Consumption Emerges
32% consume BEFORE getting together with others

28% attend a public event (concert, sporting event, etc.) after consuming

18% consume in public places

71% Consume for Social/Recreational Purposes
Social Occasions are already relevant
The Rise of Beverages
Cannabis Beverages: a small, yet growing portion of Edibles

2018 YTD Tracked Edible Sales: $612M* (15% of total sales)

2022 TOTAL US
BDS Analytics’ Projections
Edibles: $3.4B
Beverages: $374M**

*BDS Analytics Retail Sales Tracking Data: AZ, CA, CO, OR
**Beverage projection is preliminary and may change in the coming months with additional research and modeling
The Aging Consumer

BOOM(ers) BABY
BOOMERS: An important and growing segment, BUT they do not fit “neatly” in a box
of Boomer Consumers consume for Health/Medical Reasons

67% of Boomer Consumers consume for Health/Medical Reasons

Boomers are SIGNIFICANTLY MORE...

- Medically Motivated
- Likely to consume to replace Rx/OTC
- Likely to want to ease aches/pains
59% of Boomer Consumers consume for Social/Rec Reasons

BUT they also want to...
RELAX
UNWIND
AND HAVE FUN
Rec or Med...it doesn’t matter!
Majority agree with some form of legalization

~80% of US and CAN adults agree there should be some form of legal marijuana usage

64% in US
57% in CAN

88% Consumers in Med/Adult States agree marijuana has medical benefits
In our conservative models, Adult Use sales drive growth in US and CAN

Source: Arcview & BDS Analytics Cannabis Intelligence Briefing
AND Canada will grow to $5.4B by 2022, with most coming from Adult Use

More conservative than some are forecasting because of limitations like no extracts, potency limits, government ran/operated, etc. As restrictions are lifted, the market size will grow

Source: Acrview & BDS Analytics Cannabis Intelligence Briefing
Spectacular growth of Adult Use markets since opening

* BDS Analytics GreenEdge POS Retail Data
Medical Markets thrive in the absence of an Adult Use market

AZ – Medical ($Millions)

* BDS Analytics GreenEdge POS Retail Data
BUT looking at Medical Channels vs. Adult Use Channels is not that simple

71% Recreational & Social

56% Health or Medical

33% US Consumers

28% CAN Consumers

Consume for both Recreational & Social AND Health or Medical reasons

BDS Analytics Consumer Research across Cannabis Consumers: US adults 21+ in Legal Level 1 States and 18+ Total Canada
The more open the market, the more products, education, de-stigmatization and greater acceptance of health or medical cannabis use “for me”
Even among Pain Management Cannabis Consumers, consumption is multi-faceted.

58% of past 6 month Consumers are PAIN MANAGEMENT CONSUMERS

- **Recreational & Social**: 73% Pain Management Consumers
- **Health or Medical**: 66% Pain Management Consumers
- **Quality of Life**: 46% Pain Management Consumers

Base: US Level 1 and 2 States, Q1 2018
It is NOT just about THC—CBD is exploding
THE Cannabinoid

CBD CBD CBD CBD

CBD CBD CBD CBD
Consumption of non-psychoactive Hemp/CBD is much more prevalent among cannabis consumers.

- **% of Adults who have consumed non-psychoactive hemp/CBD**
  - 13%
  - 10%

- **% of who have consumed Hemp/CBD Products By Consumer Type**
  - Rejecter: 1%
  - Acceptor: 9%
  - Consumer: 39% (indicates significantly higher at 95% CI)

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Q3 2018

Q3 2018 of adults in Canada and US was conducted online among adults aged 18+.

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In the US, non-psychoactive hemp/CBD product purchasing largely falls in ingestibles (or edibles) and topicals

**Top Categories Purchased (outside of dispensaries):**

**Ingestibles:** 53%
- Oils, Tinctures
- Food
- Pills, capsules, tablets
- Supplements/Vitamins
- Beverages

**Topicals:** 24%
- Creams, balms, salves
- Beauty Care
- Skin Care
- Patches

**Inhalables:** 11%

**Other:** 12%

Base: Total US and Total CAN, Q3 2018
What we see in consumer claimed purchasing in the general market mirrors regulated dispensary channel dollar sales.

The dispensary channel AND shoppers are a lead indicator of where the CBD market will go.

Up from 5% in 2017.
Consumer education is needed

How much do you agree or disagree that...

*There are no differences in the effects of CBD or THC*

- 69% incorrect or do not know

*Any product containing hemp will cause effects such as feeling high, relaxed, sleepy, etc.*

- 66% incorrect or do not know
- 65% incorrect or do not know

Base: Total US and Total CAN, Q3 2018
ALL IN A NAME

Brands Further Solidified
Branded products continue to see tremendous growth—~45% of sales

Colorado Cannabis Retail Dollar Sales
Branded vs. Generic Products

*BDS Analytics GreenEdge POS Retail Data
Branded products continue to see tremendous growth—~45% of sales

COLORADO EDIBLE SALES: 96% BRANDED

* BDS Analytics GreenEdge POS Retail Data
Some brands take the express route to the top
The battle is on for brand share leadership

Top 5 Brands share in concentrates CO %

- **Q3 2015**
  - Others: 39%
  - Top 5: 61%

- **Q3 2018**
  - Others: 65%
  - Top 5: 35%
Convenience is King
Location is key when choosing a dispensary.
50% are LARGELY influenced by the convenience of the consumption form when choosing a product...qualifying as a top 5 influencer

THUS DOLLAR SALES....

VAPE  +67%
EDIBLES  +28%
The ULTIMATE Convenience:
Delivery matters across all industries; Cannabis is no different
Growth of Consistent, Low-Dose, Dialed

IN CONTROL
33% of Edibles Consumers prefer Low-Dose (<10mg)

Micro (<2.5mg): +108%
Low (>2.5, <10): +71%

Edibles: +28%

40% of Edibles Consumers have chosen products based on CBD content
...of these, 27% PREFER 10:1 or HIGHER

High CBD: +67%
Consistency AND trust matter; Consumers want a good experience

Among Consumers...

- 33%: Manufacturers need to do a better job of making product dosages reliably consistent from serving to serving.

- 41%: I wish more products were labeled to tell me what mood or effect (relax, energize, sleep, etc.) to expect.

Top Hurdles Among Non-Consumers...

- #1: It does not fit my lifestyle
- #2: I don’t like how it makes me feel
Consumers are STRONGLY influenced by familiarity/recommendations...
It is something I have used before (60%), Friend/Family Recommendation (45%), Budtender Recommendation (41%)
Refocus on the Core
DISCERNING consumers are influencers, early adopters, and lead indicators.
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More likely to be influenced by...

Processing Method, Terpenes, Additional Cannabinoids, Growing Methods, Where Grown, Natural/Organic, Packaging
Declining Prices
Price is *still* the #1 driver of consumer product choice
Oregon has seen steady declines in flower price per gram

Average Retail price of flower in Oregon $ per gram (pre-tax)

$9.27

$4.27
All category prices have steadily decreased in CO – concentrates down 2% in 3 years

Average Retail price of concentrates in Colorado (pre-tax)
But in California the already high prices continued to rise and actually rose faster after January 1, 2018.
Fewer, Bigger, Better (???)

Consolidation
In no particular order...

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Drink Me—THE RISE OF BEVERAGES

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Value Equation—DECLINING PRICES

$100 off any report purchase with WEB100
It’s a New Game: What does that mean for your business?

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