

BDS Analytics Webinar

Cannabis Market Lifecycles: What Drives (or Kills) Growth

Presented by:

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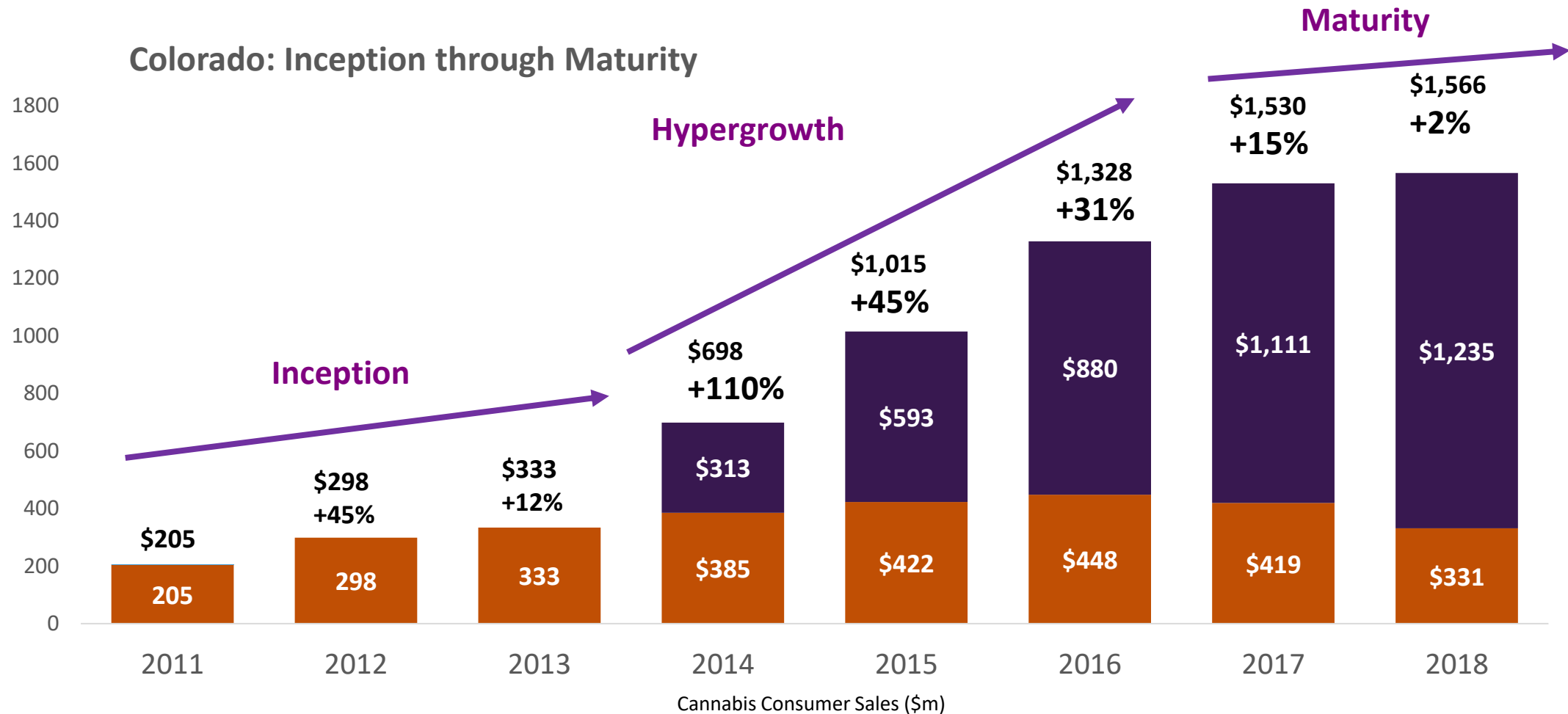
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Three Phases of Market Growth

How does a new state market grow?

Three phases of growth



Source: BDS Analytics GreenEdge™ Platform

Market growth in three phases:

Key characteristics & trends

Inception

- Lack of regulatory framework, including licensing, taxation & local/municipal permits, etc.
- Predominately medical use.
- Consumer attitudes begin to change through an increase of positive exposure.

Hypergrowth

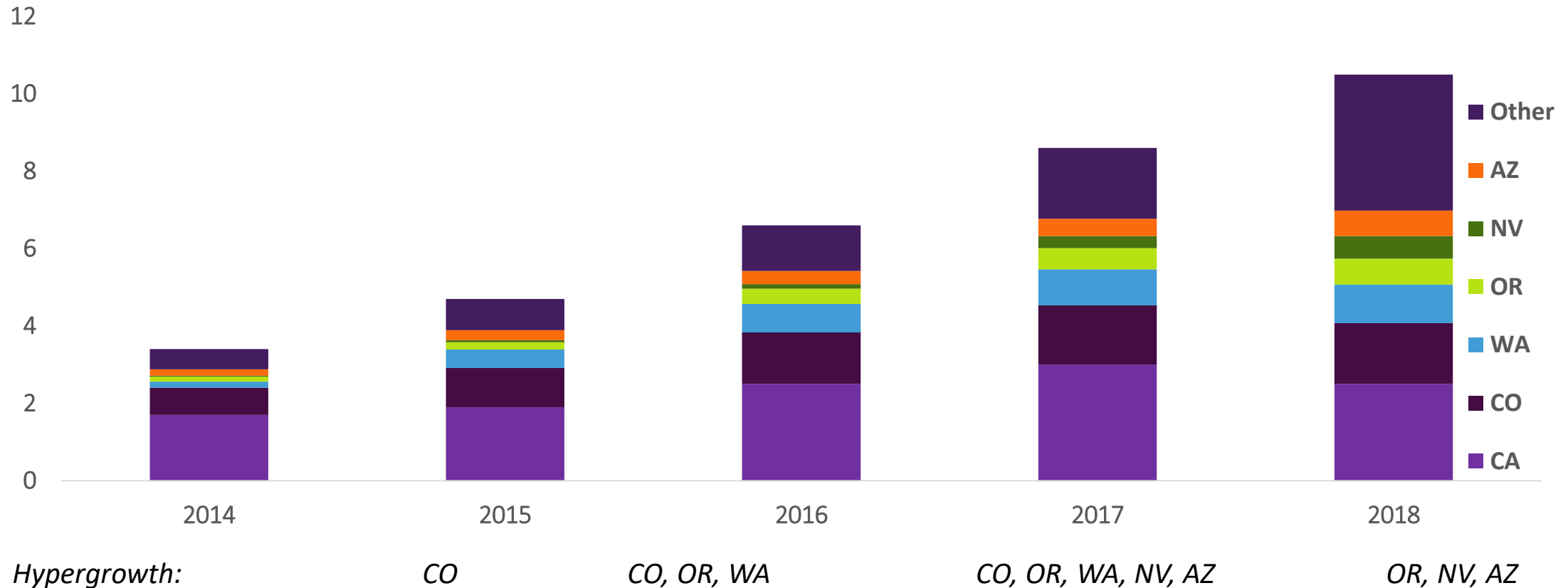
- Adult-use replaces medical use.
- Shift to retail consumer products.
- Can suffer from short-term supply chain issues.

Maturity

- Greater focus on brand.
- More retail friendly products like vapes, pre-rolls, candy
- Market share leaders emerge.
- Average prices decline as appeal broadens.

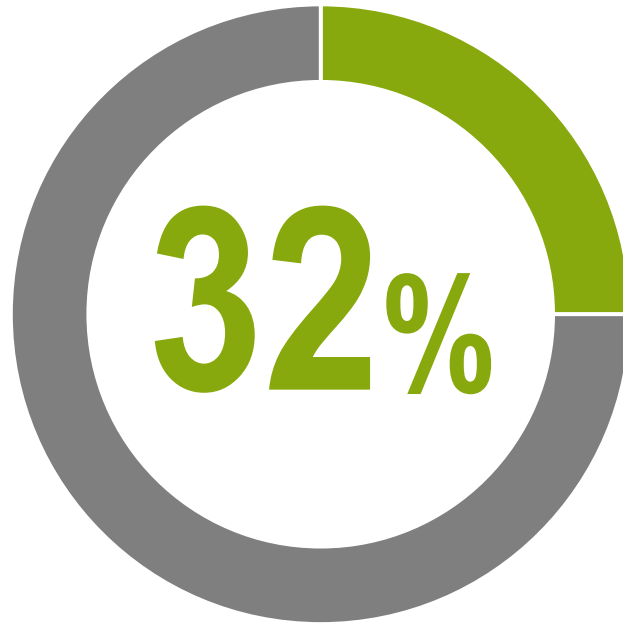
Growth by state drives overall growth as new states enter hypergrowth

USA Legal Cannabis Spending by State (\$USD Billions)



Source: Arcview Market Research & BDS Analytics Cannabis Intelligence Briefing Series

Three categories of customers: Consumer, Acceptors and Rejecters™



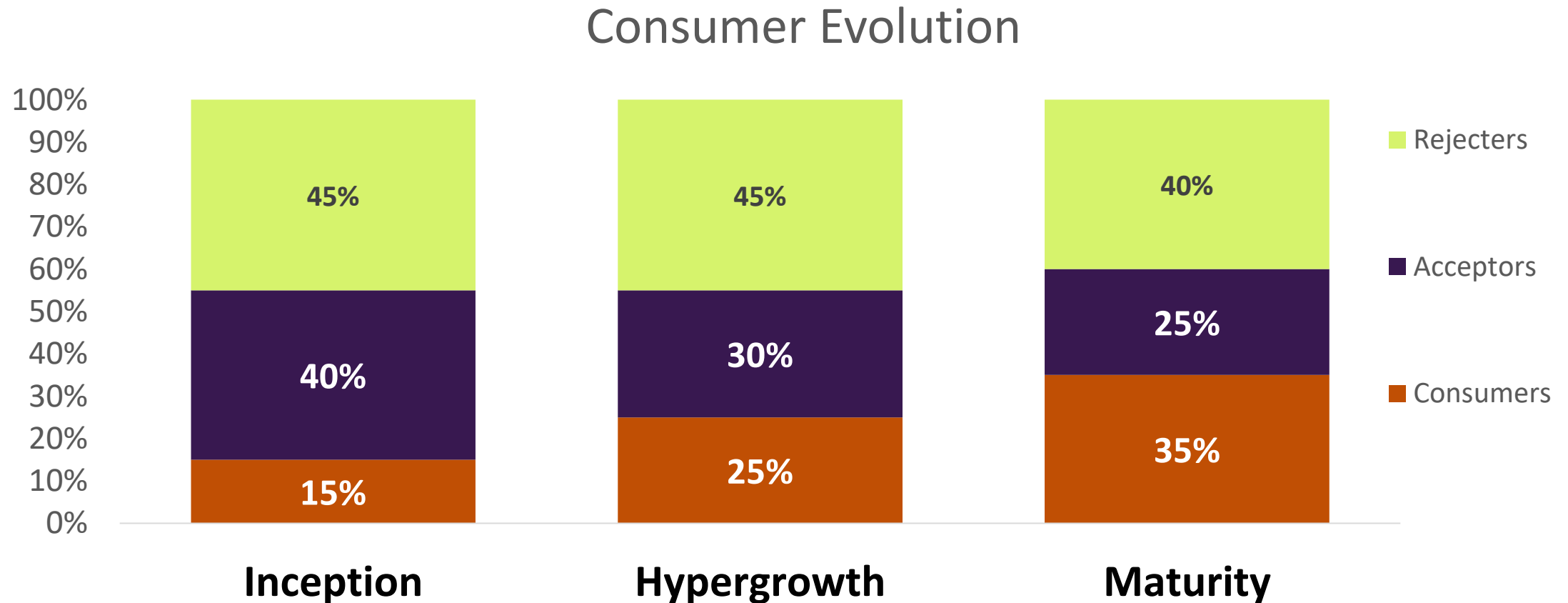
...of adults 21+ in Fully Legal US States have Consumed Cannabis Within the Past Six Months

~ **32%** are **Acceptors**
(would consider in the future)

~ **36%** are **Rejecters**
(would not consider in the future)

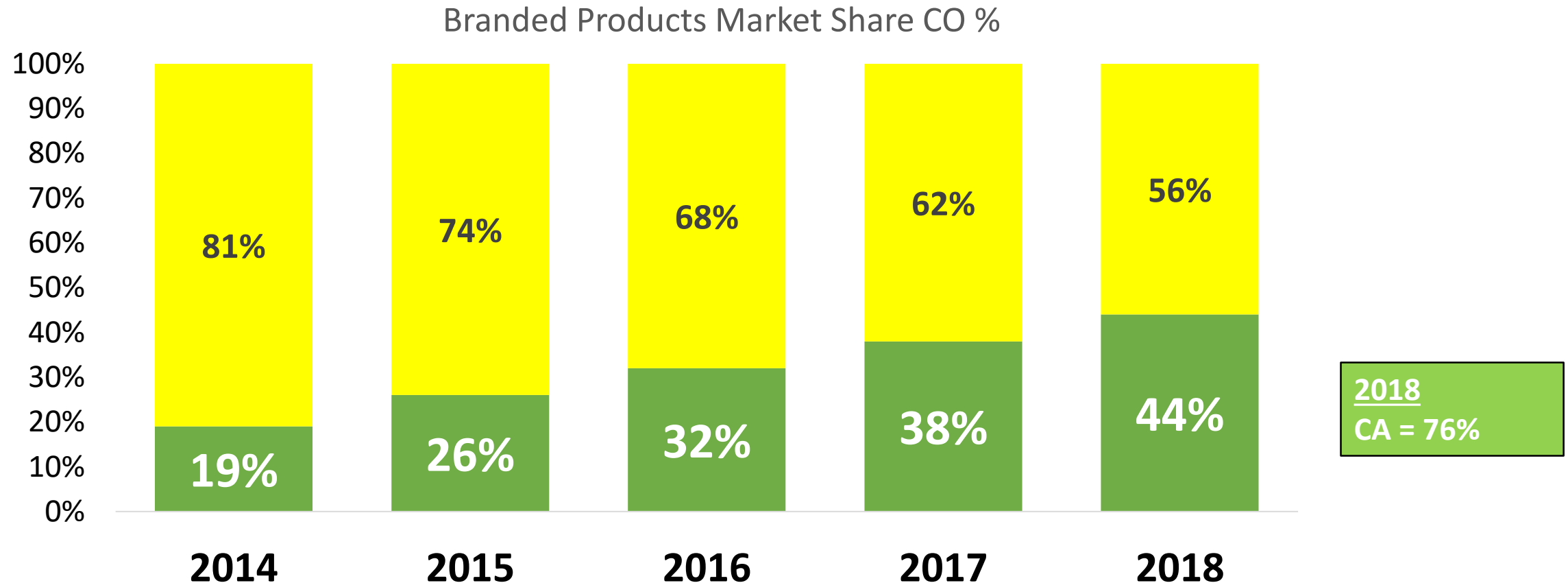
Source: BDS Analytics Consumer Research: US adults 21+ in Legal Level 1 States

Consumer Behavior and Attitude Evolution



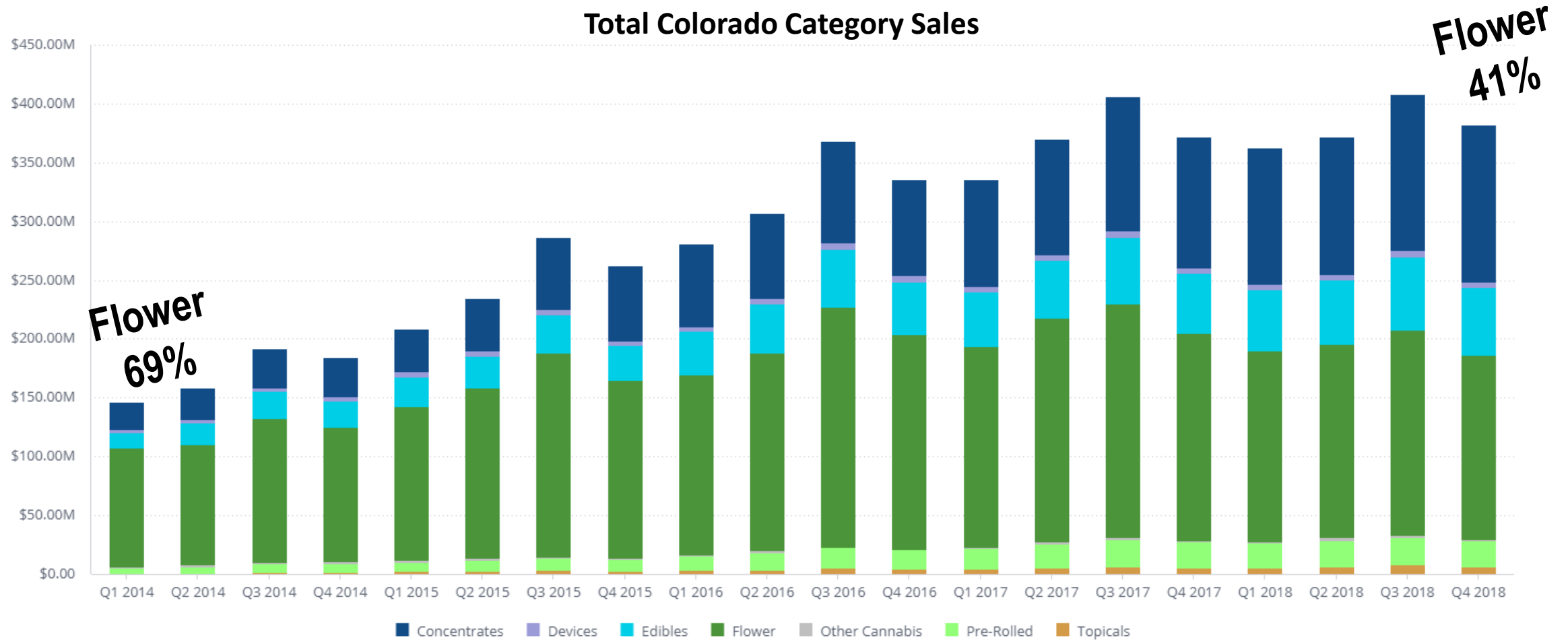
Source: BDS Analytics Consumer Insights Research

Branded products are now approaching 50% of sales in Colorado and higher in other mature states



Source: BDS Analytics GreenEdge™ Platform

Market share by category shifts through the phases



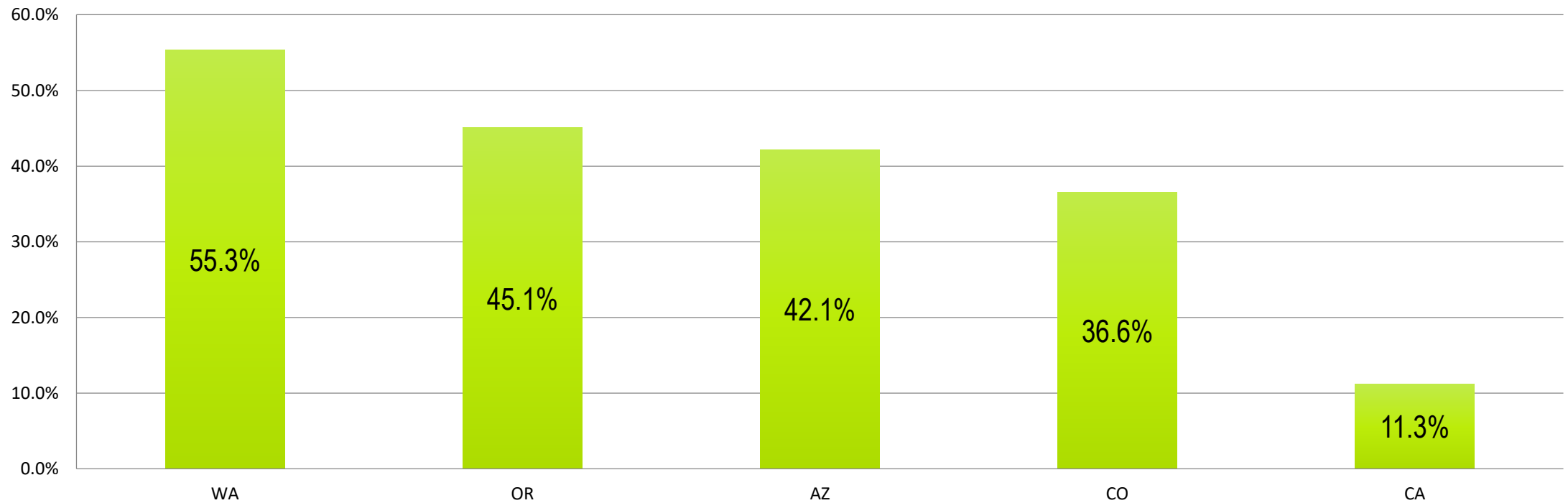
Source: BDS Analytics GreenEdge™ Platform

New Market Impact Factors: What Makes a Market Grow (or Not)

All markets are not created equal

But what drives their relative growth?

2013-2018 CAGR By State



Source: BDS Analytics GreenEdge™ Platform

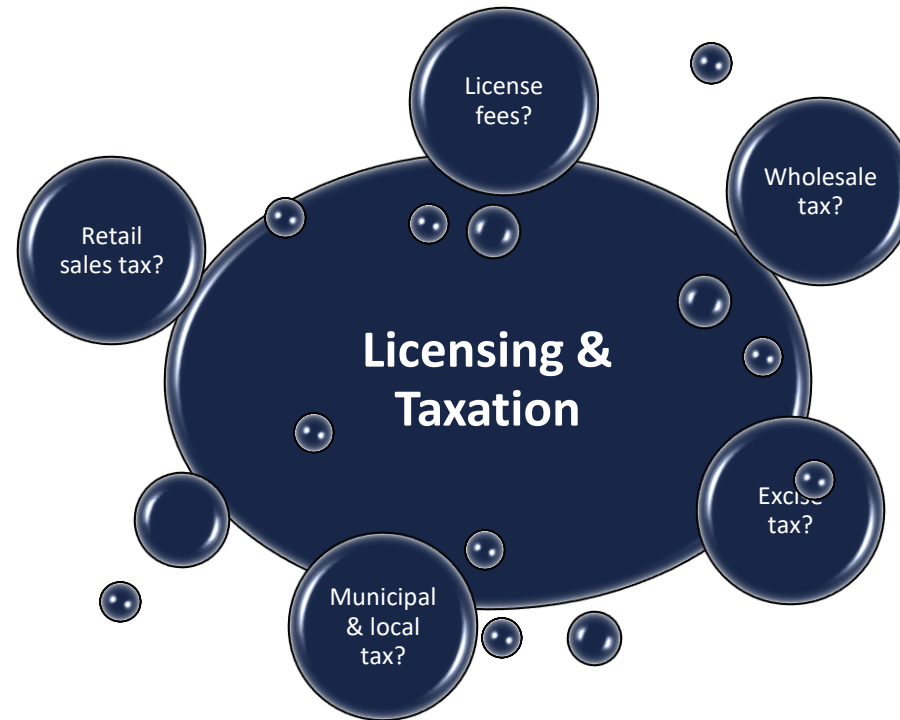
Regulatory & Business Landscape Impact Factors

What shapes a new market's growth? Six broad categories.



What is the total combined cost of taxation & compliance?

A fundamental driver in every market.



How many dispensaries are legally operating?

Ratio of consumers to stores has a direct impact on price, consumer choice and sales volume.

More Dispensaries

- Easier access for consumers.
- More choice for consumers.
- Greater competition means:
 - Lower prices.
 - Higher volume.
- Diminished impact of extra-legal market.

Fewer Dispensaries

- Less convenience for consumers.
- Fewer choices for consumers.
- Less competition means:
 - Higher prices.
 - Lower volume.
- More consumers driven to extra-legal market.



Consumers, Acceptors & Rejecters™

- *What percentage of the population regularly consumes?*
- *What is public sentiment for legalization?*
- *How broad is public acceptance for medical vs. adult use?*

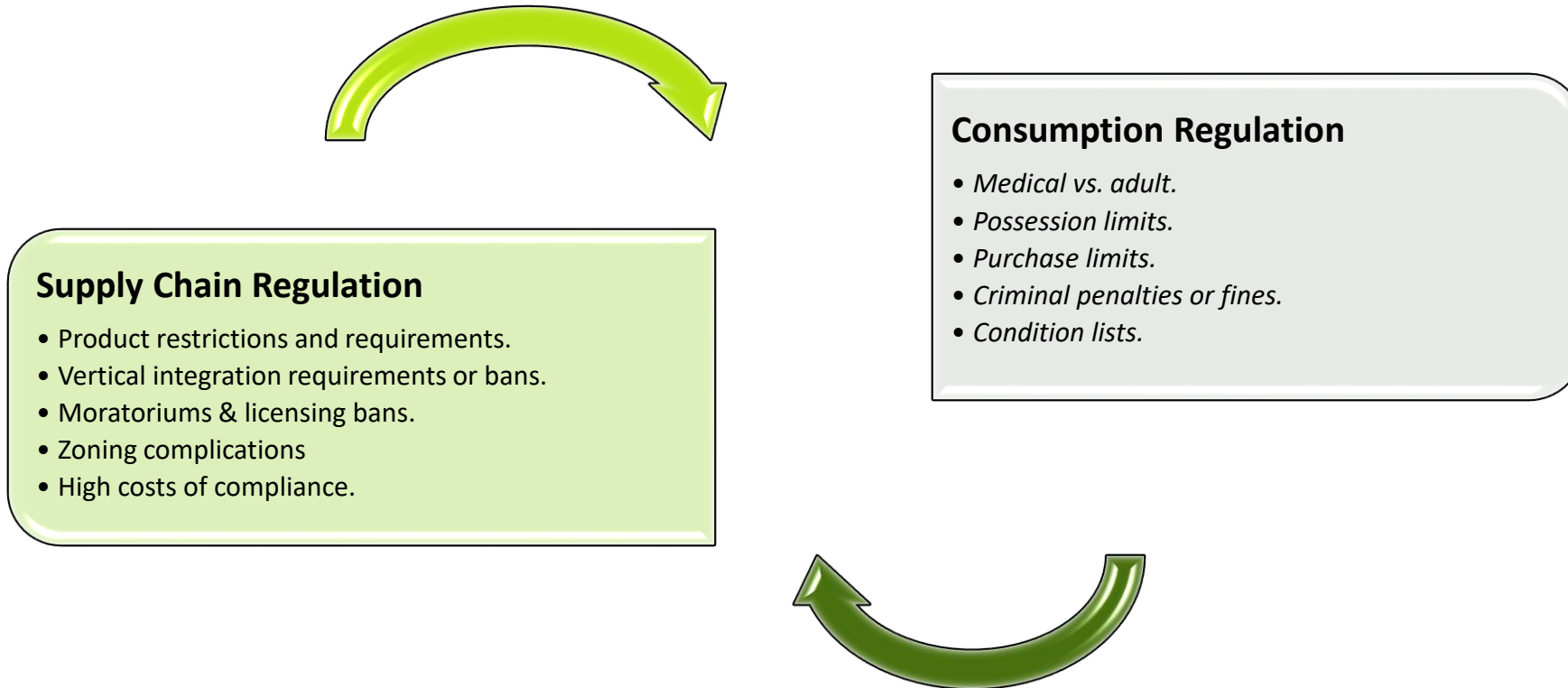
Competitive Strength vs. Extra Legal Market Strength

Relative strength of legal supply chain to sources of extra-legal supply



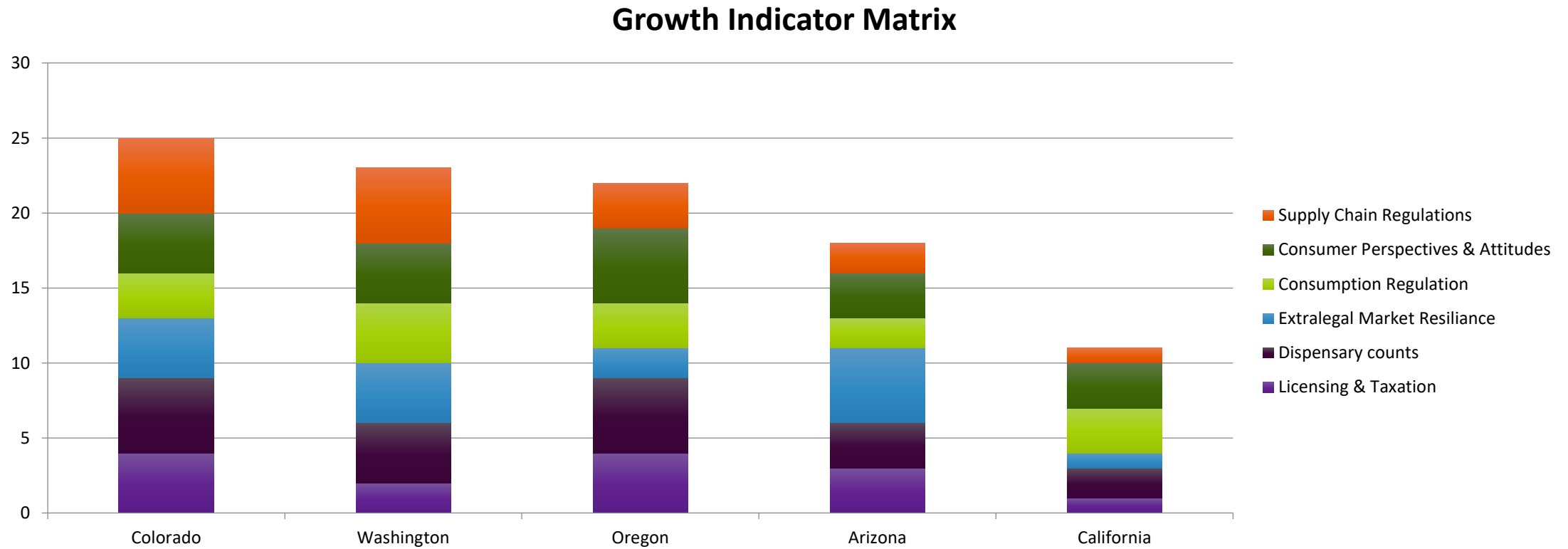
What types of laws and how are they enforced?

How does this impact the climate for doing business?



How the States Compare

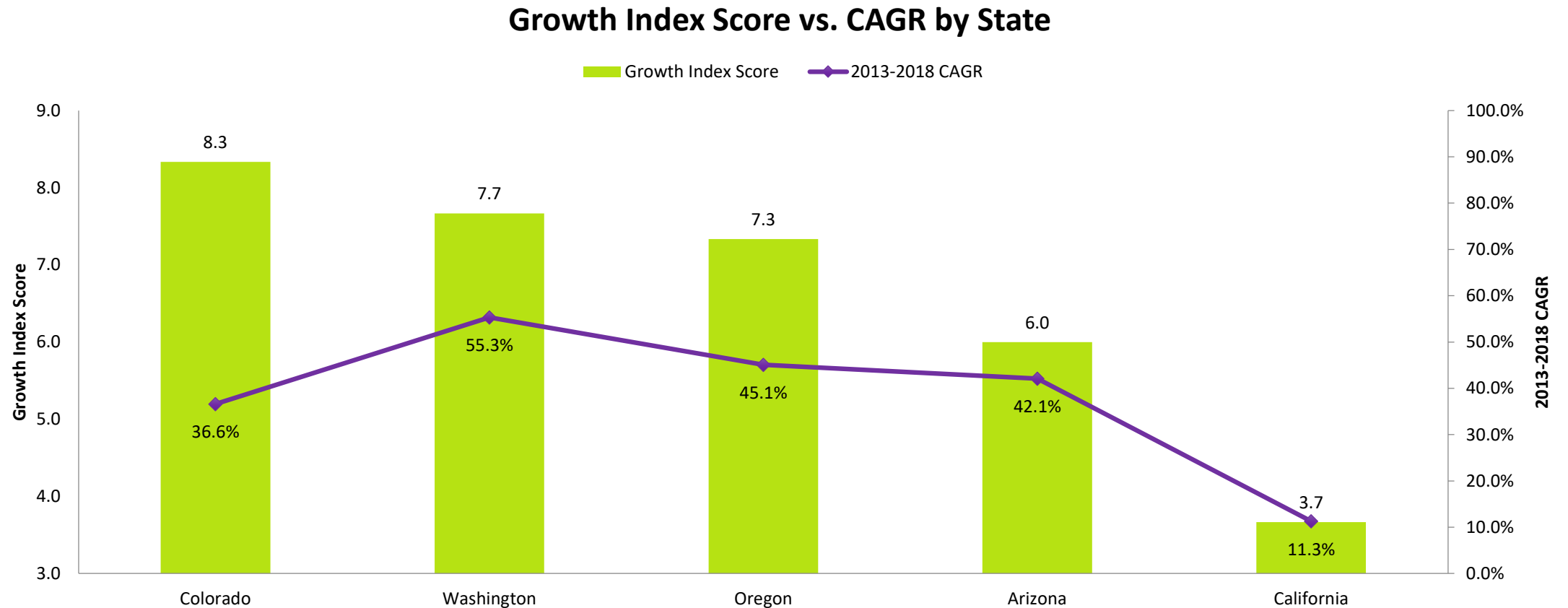
A comprehensive view



Source: BDS Analytics Cannabis Intelligence Briefing

Making sense of diverse markets

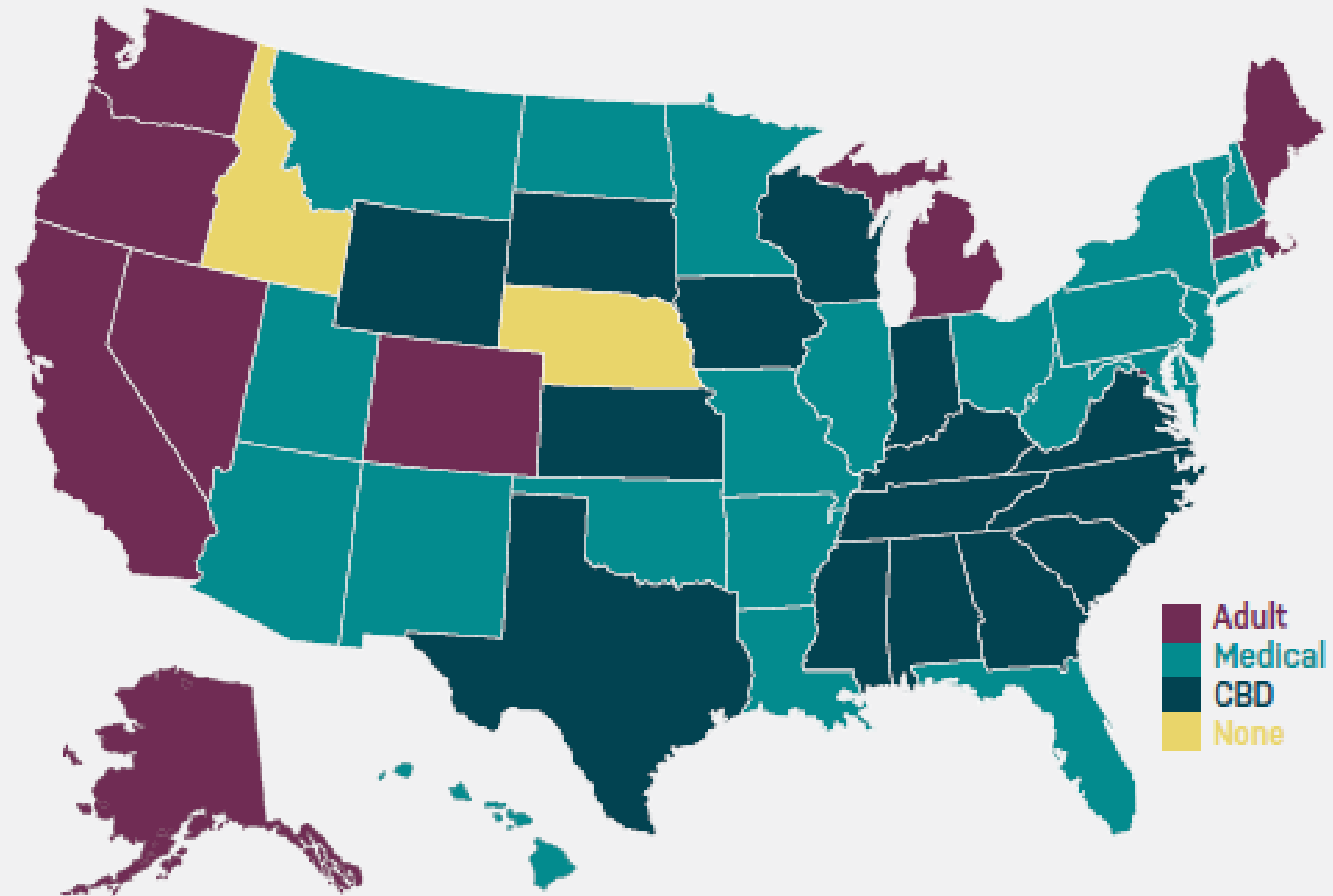
A comparative tool



Source: BDS Analytics Cannabis Intelligence Briefing // GreenEdge™ Platform

What Does This Mean For Emerging Markets Today?

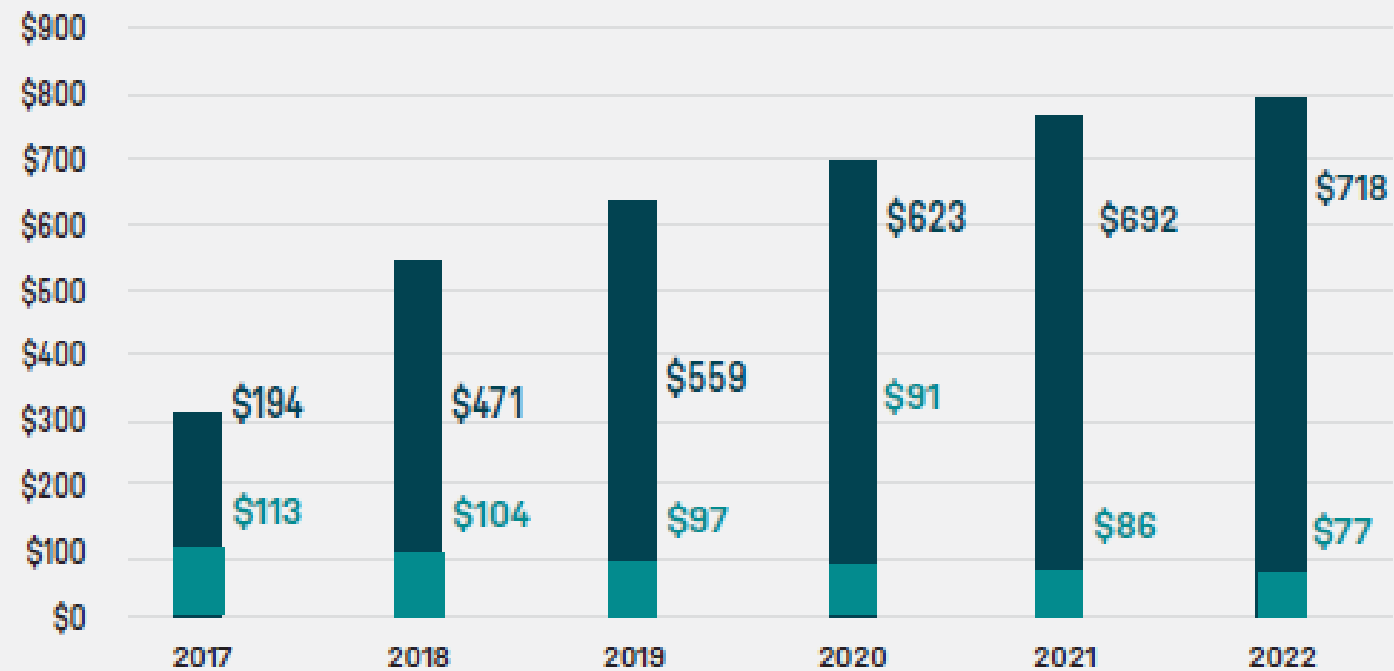
US Post Election Legal Status



Source Data: BDS Analytics

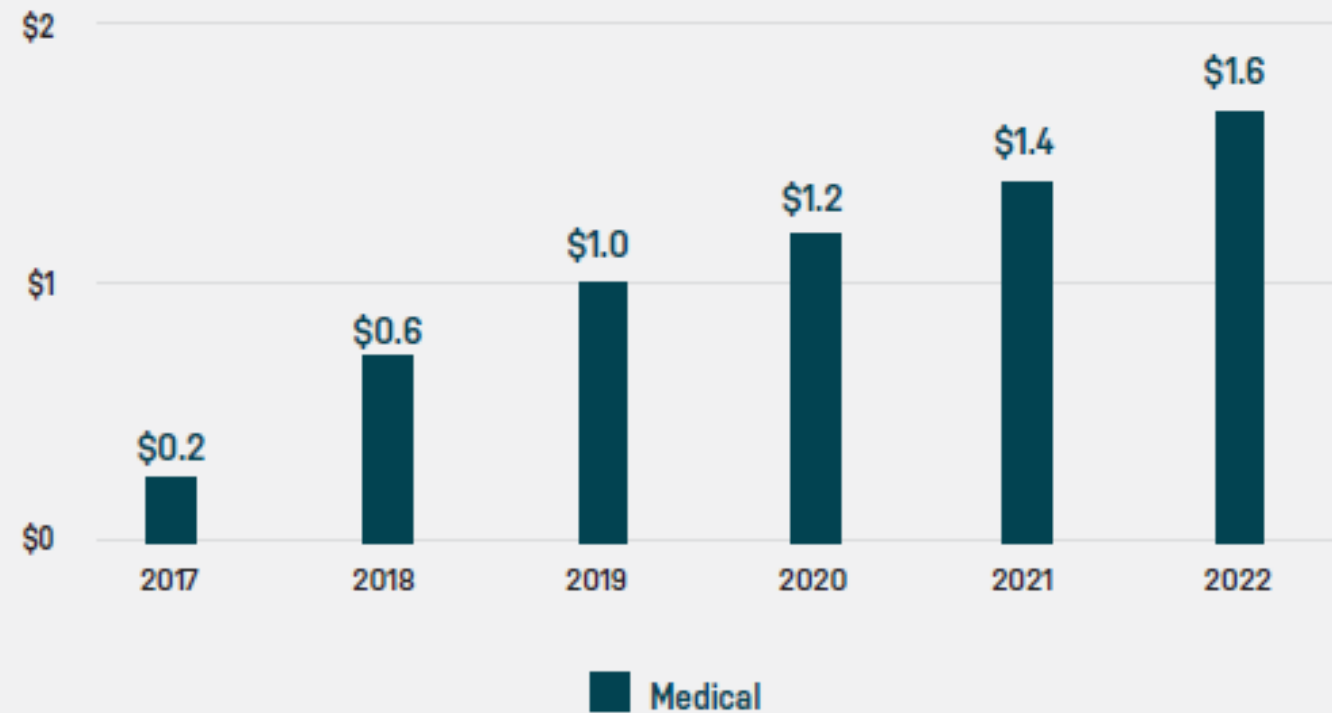
Nevada Legal Spending (In Millions)

Medical
Adult-Use



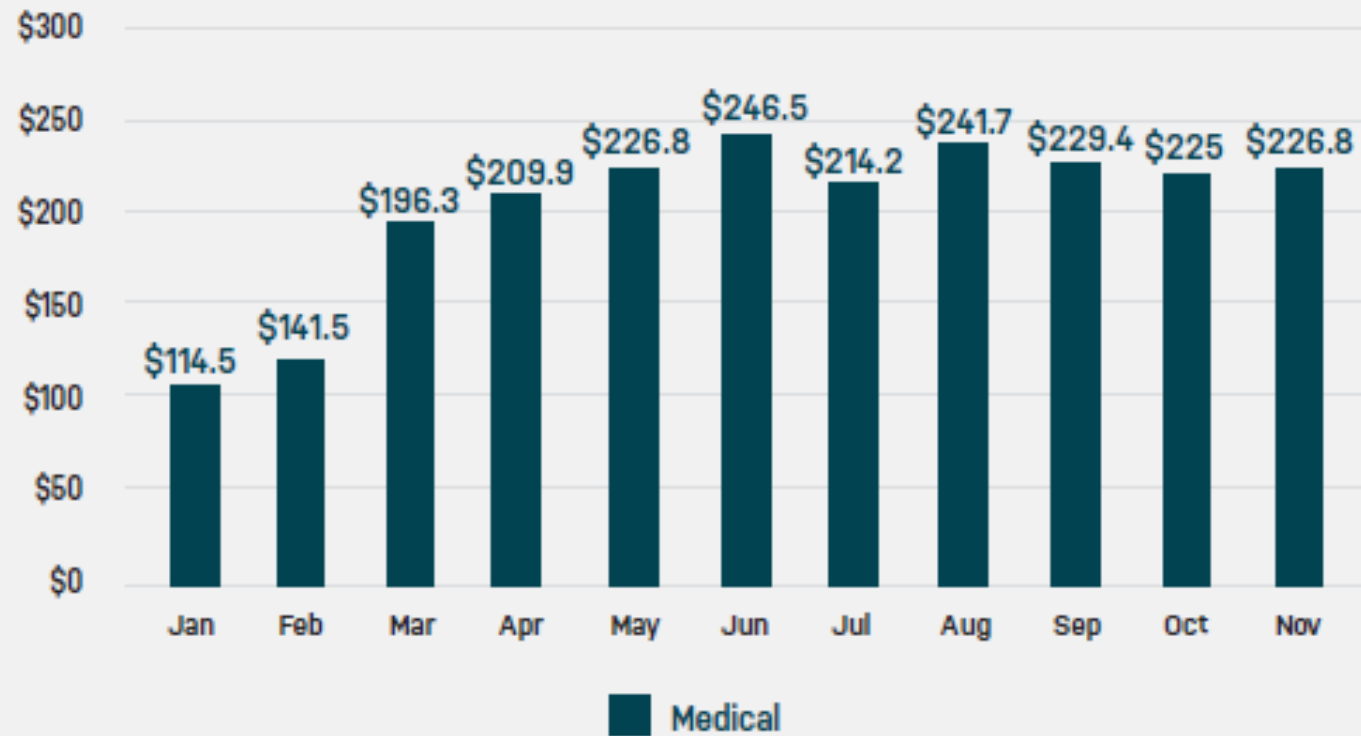
Source Data: Arcview Market Research/BDS Analytics

Florida Legal Spending (In Billions)



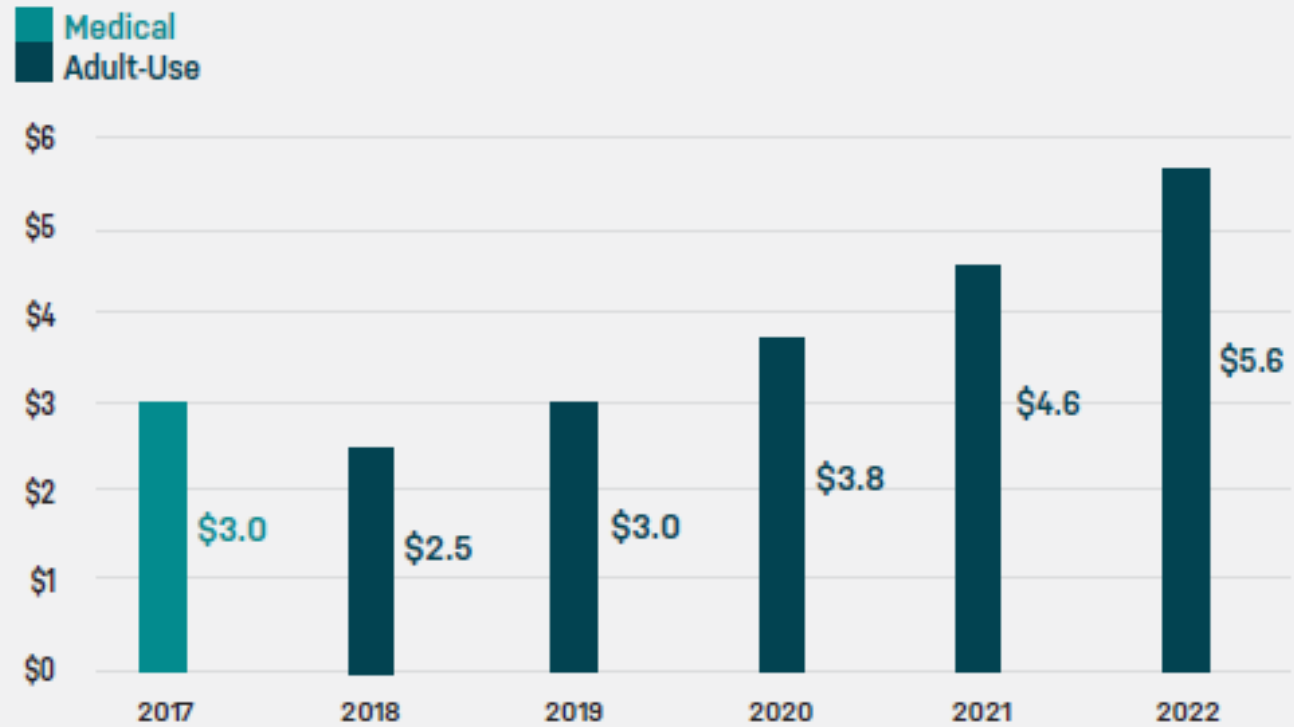
Source Data: Arcview Market Research/BDS Analytics

California 2018 Monthly Legal Spending (In Millions)



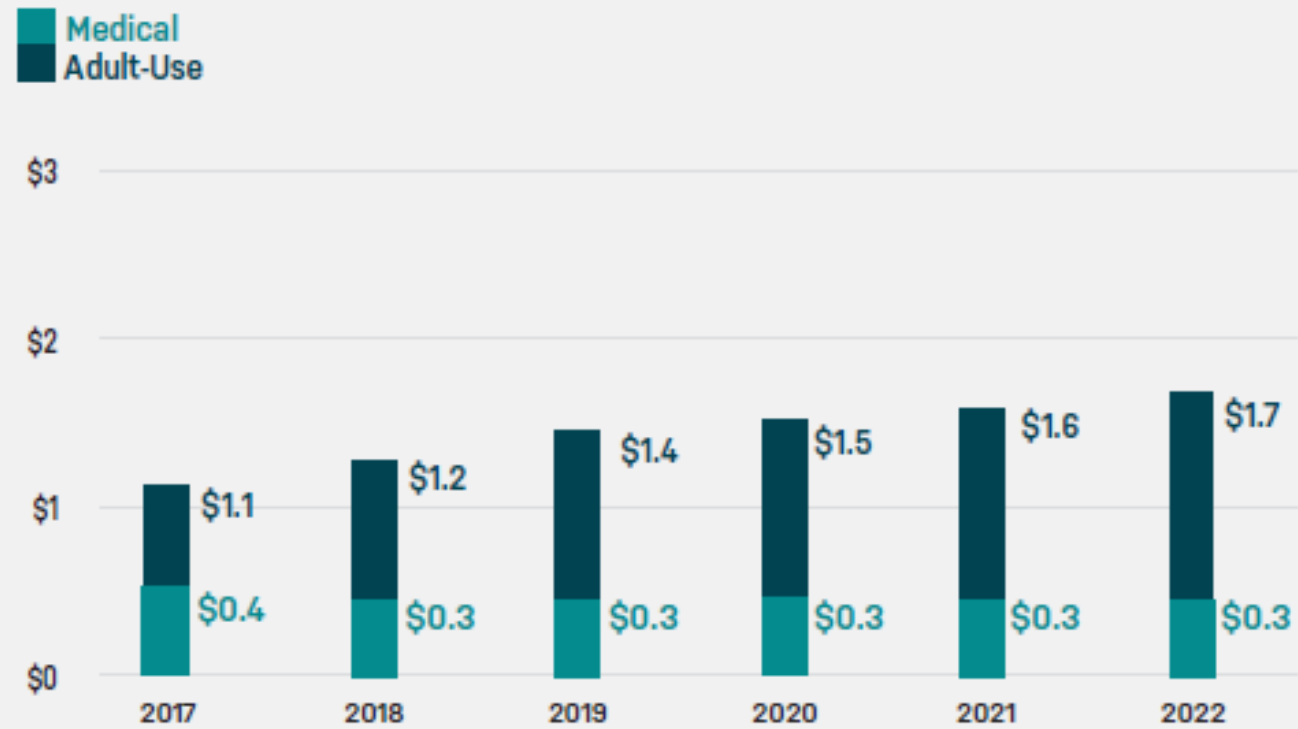
Source Data: BDS Analytics' GreenEdge

California Legal Spending (In Billions)



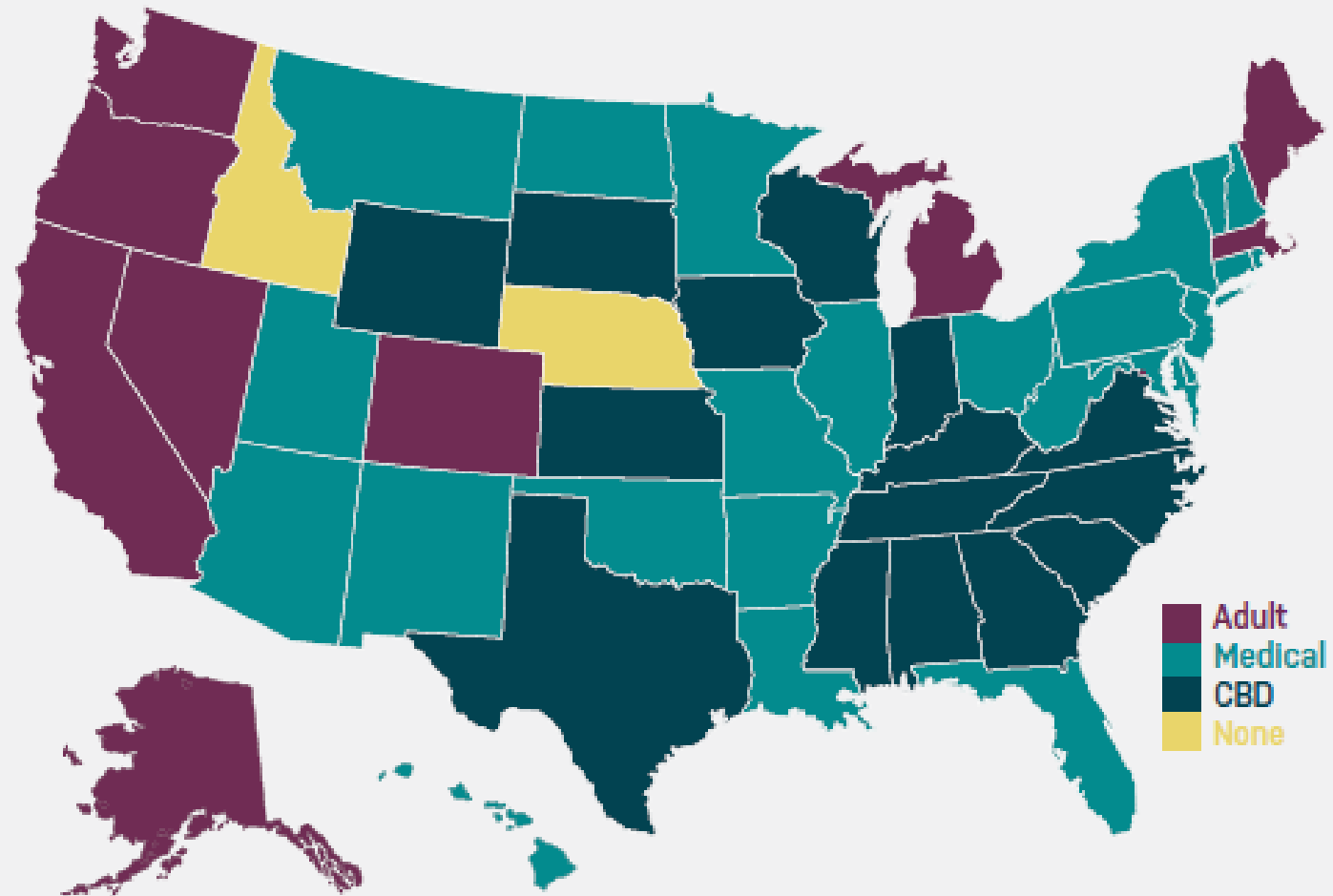
Source Data: Arcview Market Research/BDS Analytics

Colorado Legal Spending (In Billions)



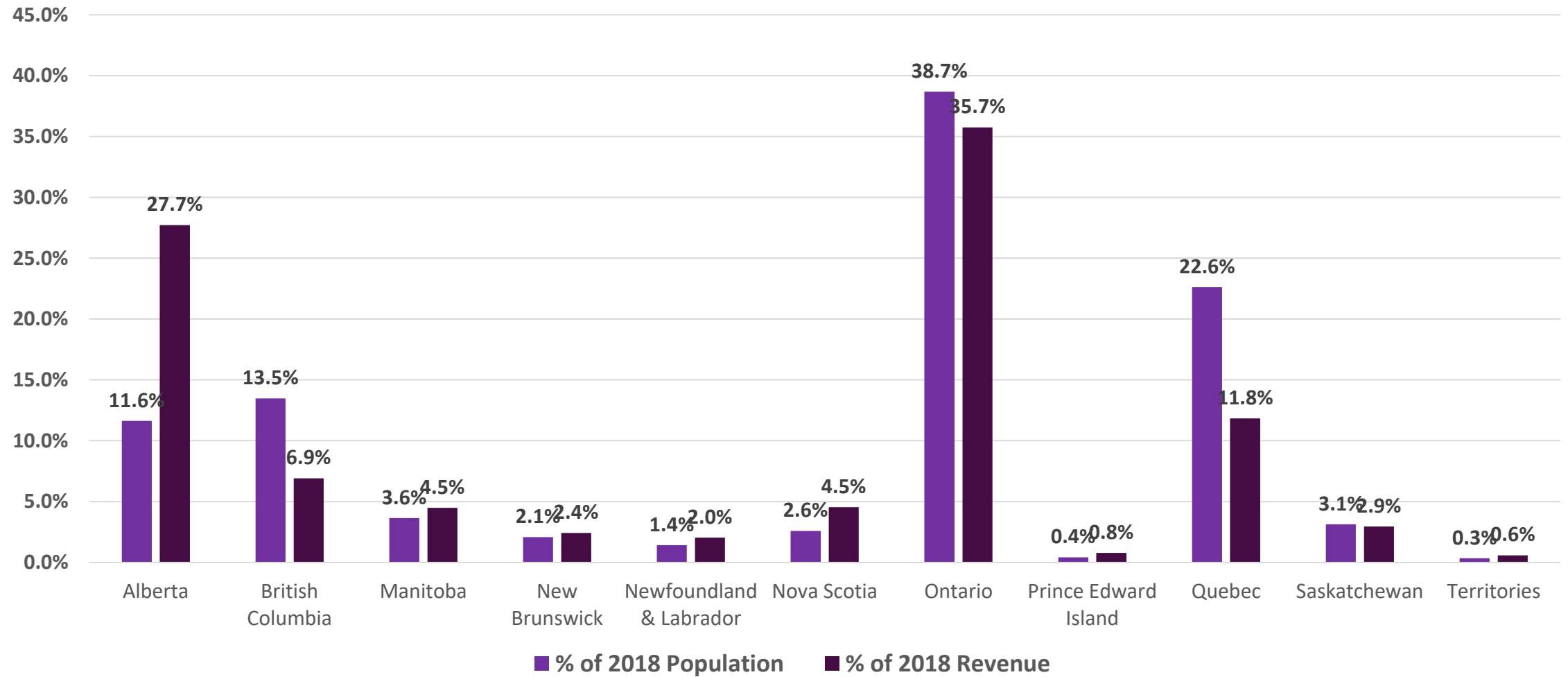
Source Data: Arcview Market Research/BDS Analytics

US Post Election Legal Status



Source Data: BDS Analytics

Provincial Population vs. Cannabis Sales 2018



Just Released
2019 Update

The State of Legal Marijuana Markets, 6th Edition

The #1 cited market research for the cannabis industry, co-produced by Arcview Market Research and BDS Analytics.



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