

Pets, Pain, and CBD: The many applications of cannabinoid products

Presented by:

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Legal cannabis is...

- **GROWING**
- **RELEVANT** across consumer trends
- **HEMP-DERIVED CBD**
(and other cannabinoids)
- **DRIVEN BY** dispensaries
- **CONSTANTLY EVOLVING**



Legal Cannabis is...

Growing

Majority agree with some form of marijuana legalization

~80%

of U.S. adults agree there should be **some form of legal marijuana usage**



64%

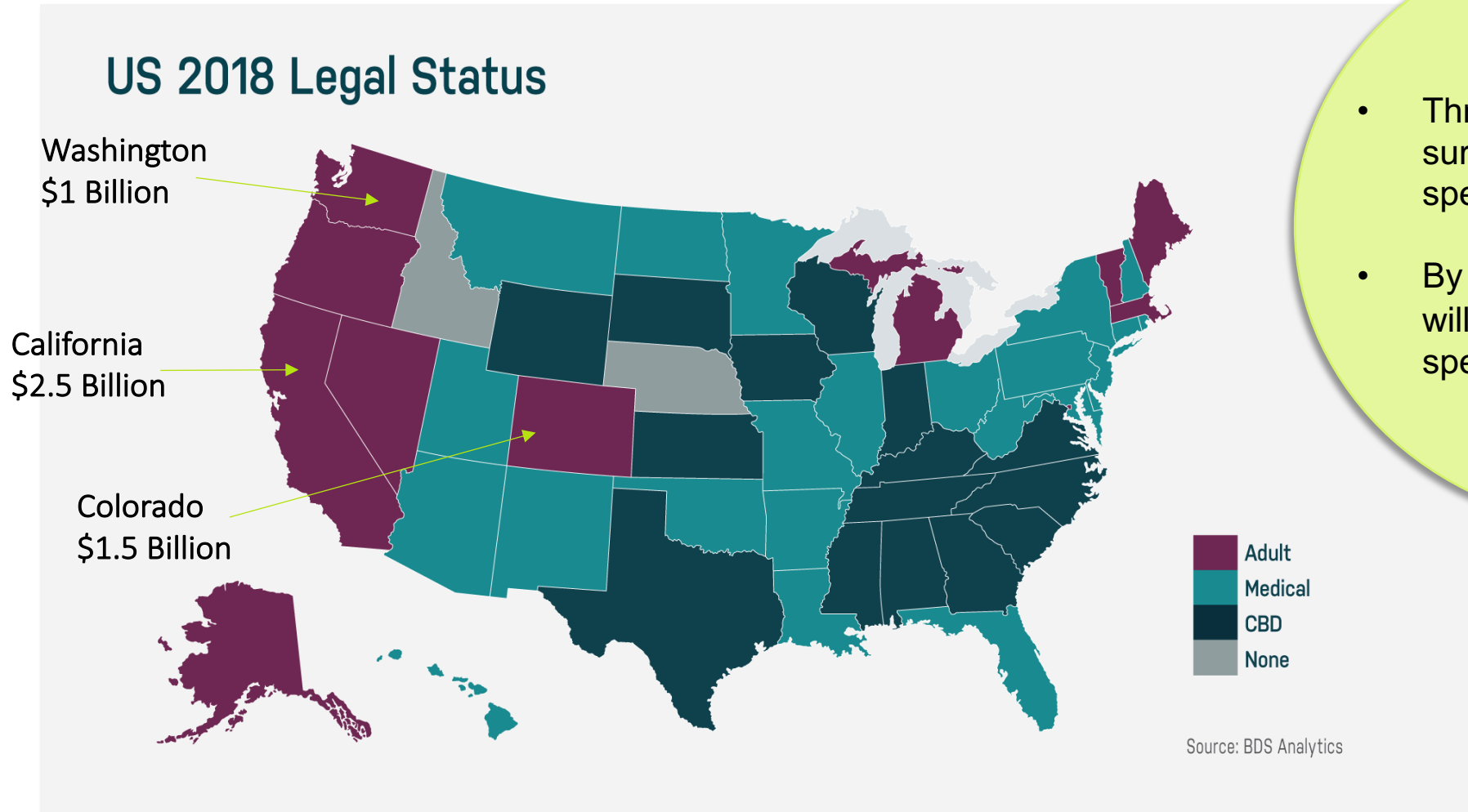
of US adults agree marijuana has **medical benefits**



BDS Analytics Consumer Research Q 2019: US adults 21+

In the US, no longer a Western state phenomenon

Coast-to-coast legalization



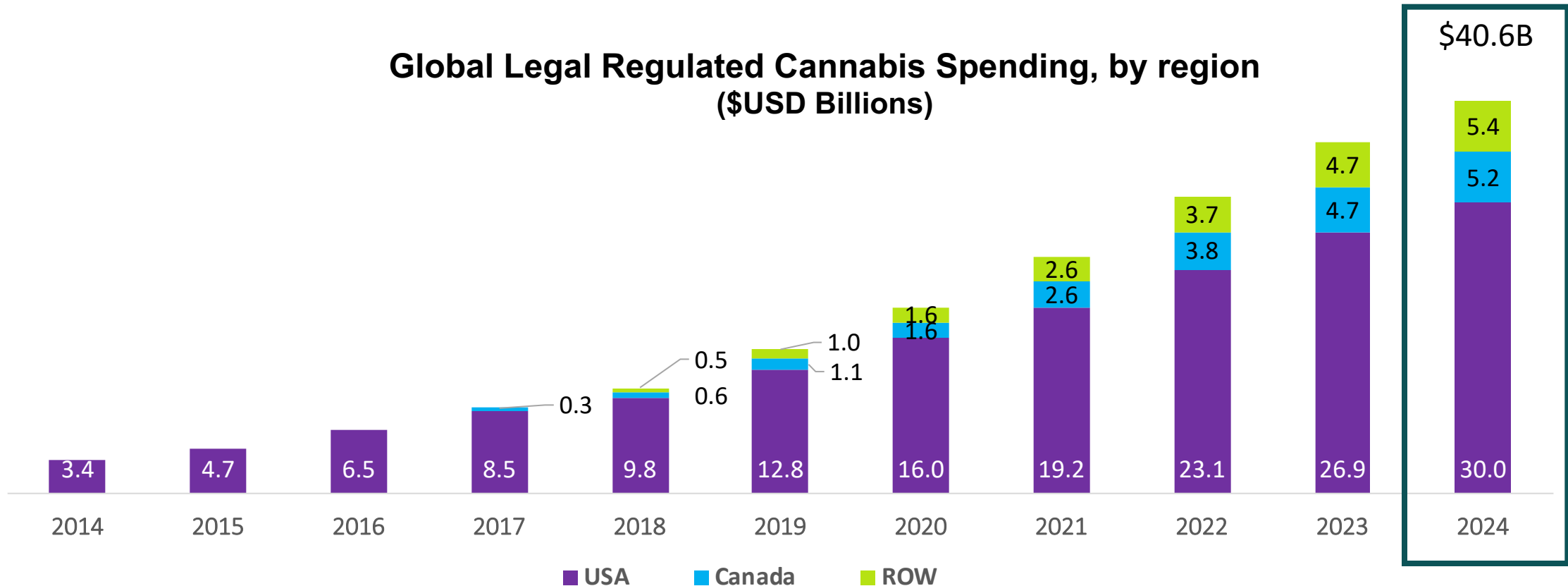
- Three adult legal markets surpassed \$1 Billion in annual spending during 2018.
- By 2024, 15 adult legal markets will pass \$1 Billion in annual spending.

Source: BDS Analytics & Arcview Market Research Cannabis Intelligence Briefing

BDS Analytics projects a ~\$41B global market in 2024

The US will continue to be the world's largest market

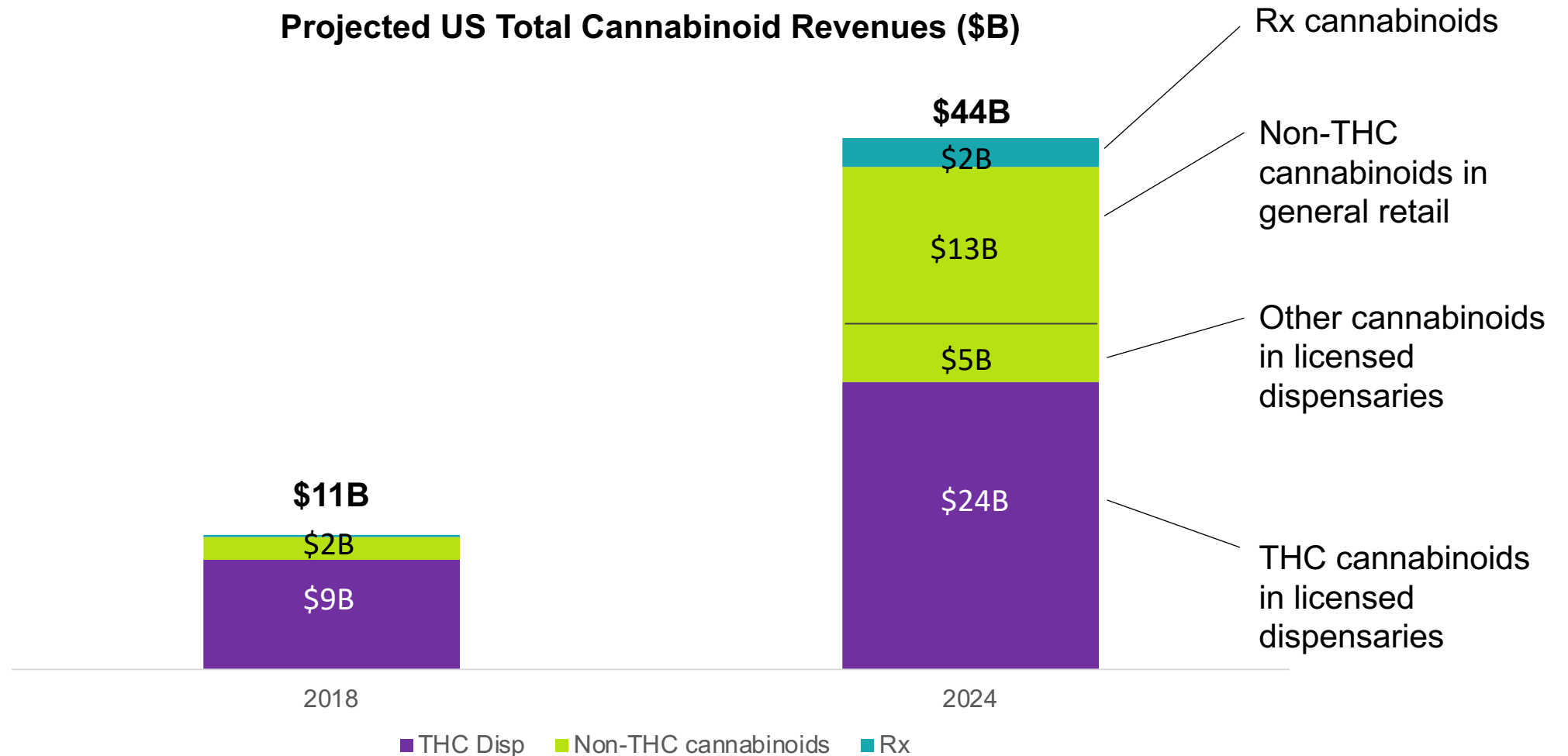
Global Legal Regulated Cannabis Spending, by region (\$USD Billions)



Source: BDS Analytics & Arcview Market Research Cannabis Intelligence Briefing

We project a ~\$45B US total cannabinoid market by 2024

As cannabinoids *like* CBD cross into general retail



Source: BDS Analytics CBD Market Monitor; BDS Analytics and Arcview Market Research

Legal Cannabis is....

Relevant

across consumer trends

The wellness market is booming

Moving from reactive sick care to proactive self-care – inspired, in part, by rising cost of healthcare

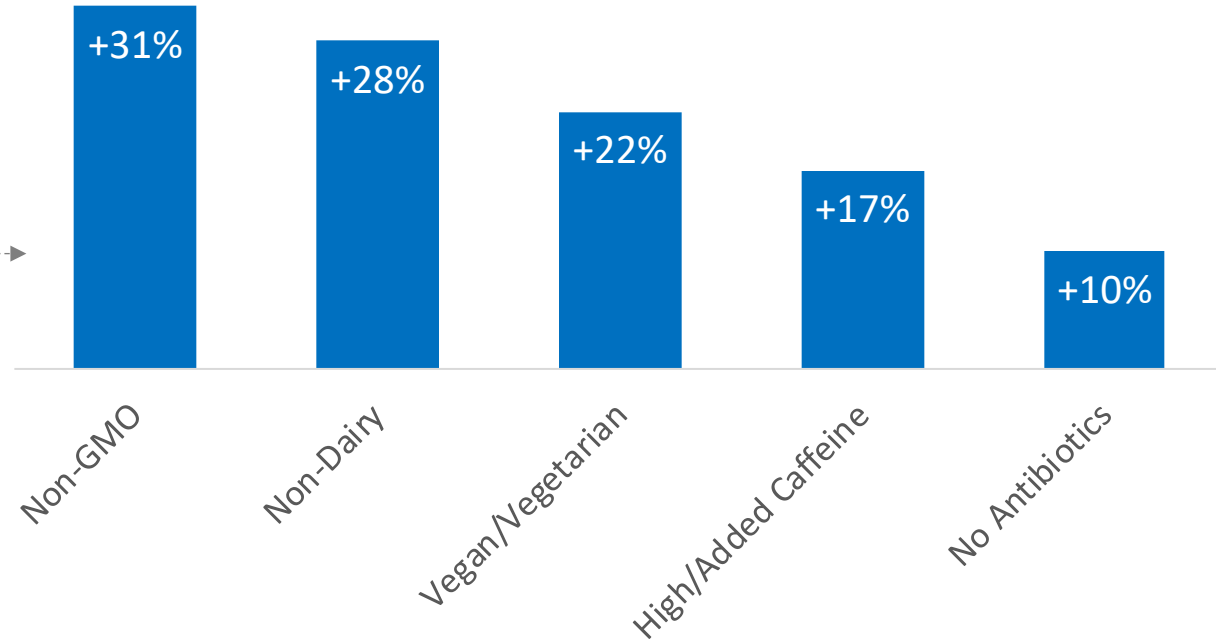
\$3.5 trillion 2017 US healthcare spend

\$450 billion self-care market

88% of US consumers practice some form of self-care

1/3 of US consumers have increased self-care practices

Food Product Attribute Growth – \$ Sales
(2018 v. 2017)



Source: CMS.gov NHE fac sheet; IRI Market Advantage — Total U.S. MULO+C; 52 Weeks-Ended 8/12/18

Self-care, better-for-you trends manifesting at general retail

And at the dispensary level, wellness plays a big role

Health HUB™

Your hub for better health.

More health services & wellness products than ever before. All in one place. All on your schedule.



W W + KOHL'S

Making a healthy lifestyle more rewarding.
Kohl's is partnering with Weight Watchers to make everyday wellness more accessible.



4 Foods for Summer Skin Health



Source: BDS Analytics; company websites

The pet market is booming, too

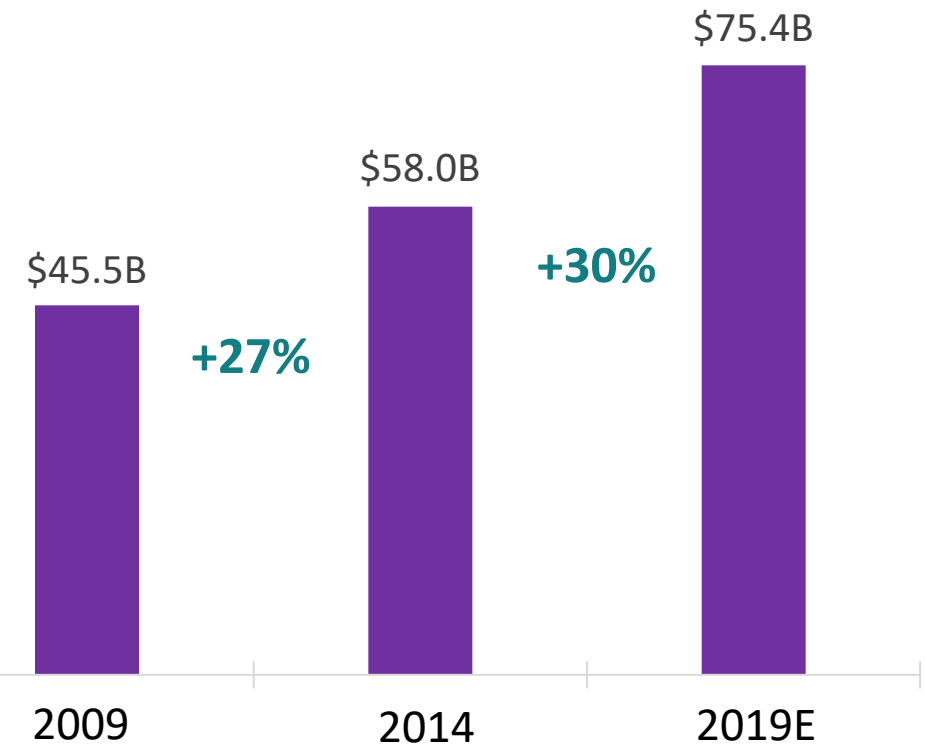
85 million households

62% younger generations

\$75.4 billion 2019 projected spending

Source: American Pet Products Association

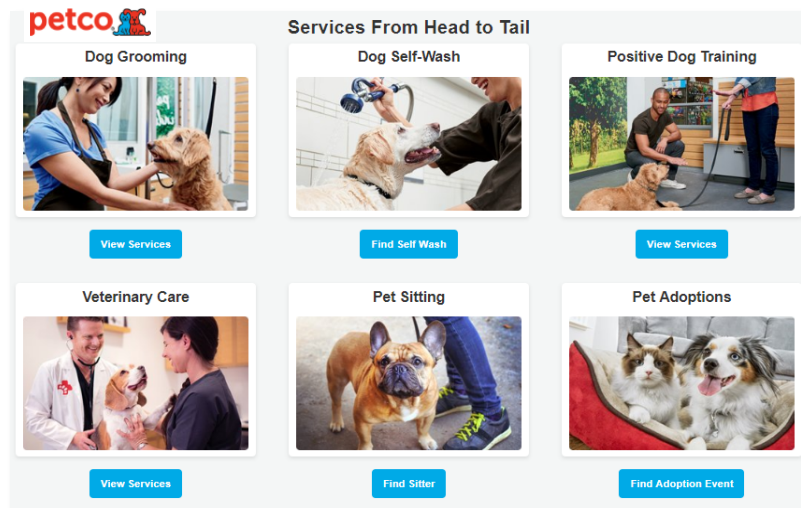
Total U.S. Pet Industry Expenditures



(Human) consumer trends → pet trends

Mirroring trends in general retail

- Natural/organic
- Premium products
- Seasonal
- Wellness
- Subscription plans
- Services



Source: Company websites

Legal Cannabis is...

Now Hemp-Derived CBD

(and other cannabinoids)

The H&W benefits of cannabis/CBD are NOT a hemp-driven phenomenon

Marijuana consumption is multi-purposed and multi-faceted



71% Recreational
and Social



56% Health or
Medical



In the U.S. Market,
33% Consume for
Recreational &
Social AND
Health or Medical
Reasons

CBD and legal marijuana: same primary motivations, different priorities

60%
of past six-month
cannabis Consumers are
**PAIN MANAGEMENT
CONSUMERS**



Motivations for CBD, Legal Marijuana Use:

	CBD	Legal Marijuana
1	Treat symptoms of a medical condition	To relax
2	To relax	Treat symptoms of a medical condition
3	Improve quality of life	Improve quality of life



Source: BDS Analytics Consumer Research Q1 2019: US adults 21+ in Level 1 & 2 states; IRI-MFour Cannabis Attitude and Usage Study, Feb. 2019

But, hemp-derived CBD consumption is largely health & wellness- related



of adults 21+ in the U.S. have
**Consumed hemp-derived
products in the past six
months**

Reasons for Hemp-Derived Product Consumption:



- **Relieve pain**
- Improve sleep
- Manage anxiety
- Relax
- Manage a health problem
- Improve quality of life

BDS Analytics Consumer Research across Cannabis Consumers: US adults 21+ in Legal Level 1 States

But also, consumers are using cannabinoids specifically to avoid Rx, OTC

Decreased Rx, OTC use a welcome outcome of cannabis as pain treatment

% Consumers Who Have Decreased Rx/ OTC Use



PAIN CONSUMER

54%

NON- PAIN CONSUMER

27%

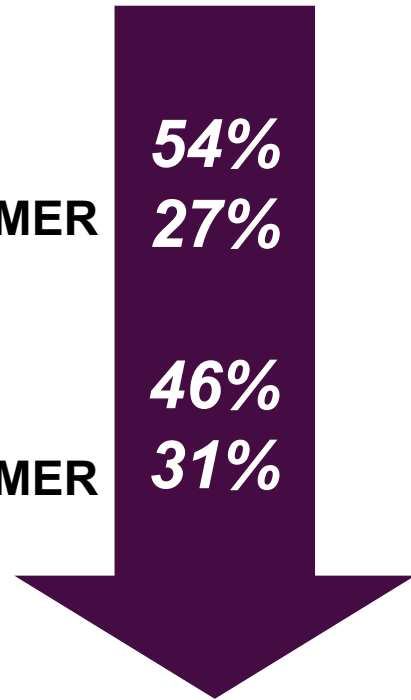


PAIN CONSUMER

46%

NON- PAIN CONSUMER

31%



% Pain Consumers Who Use Cannabis to Avoid Rx/OTC, by mode of consumption

		PAIN CONSUMERS
Avoid OTC Medications	Inhalables	38%
	Edibles	25%
	Topicals	21%
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Avoid Prescription Medications	Inhalables	44%
	Edibles	32%
	Topicals	25%

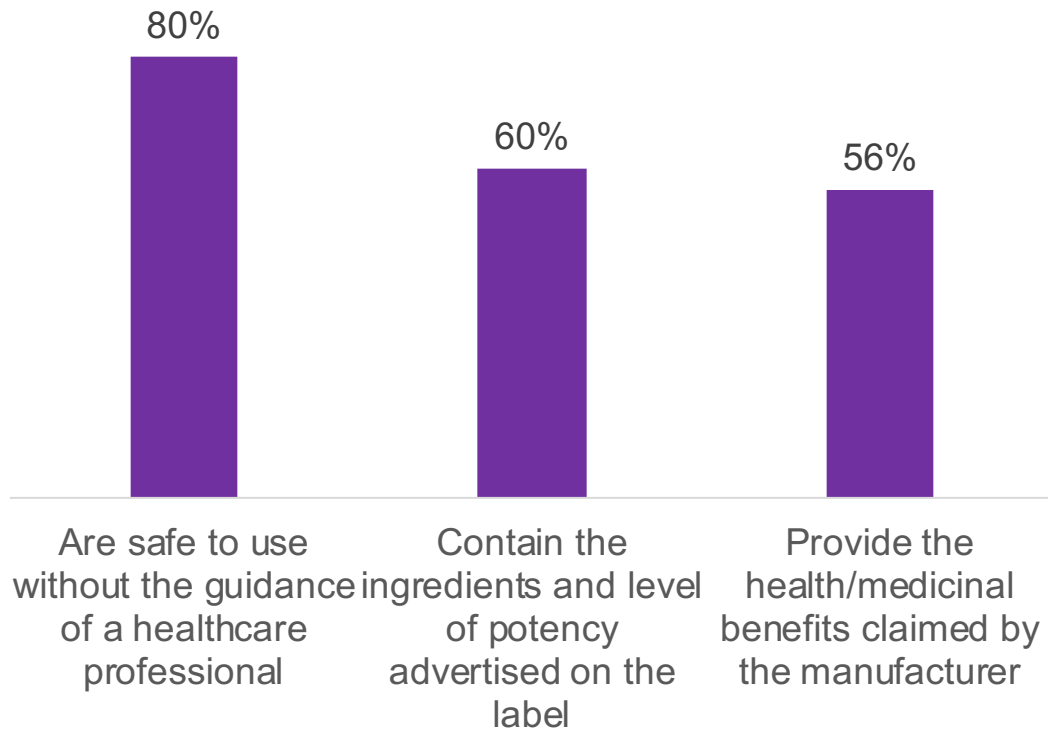
Source: BDS Analytics Consumer Research Q1 2019: US adults 21+ in Level 1 & 2 States

CBD: Not just for humans

Consumers confident about safety, expected benefits of CBD products

Confidence in CBD Products

(among Cannabis Consumers AND Non-Consumers who have purchased hemp-derived CBD pet products in the past six months)



Source: BDS Analytics Consumer Insights, Q1 2019

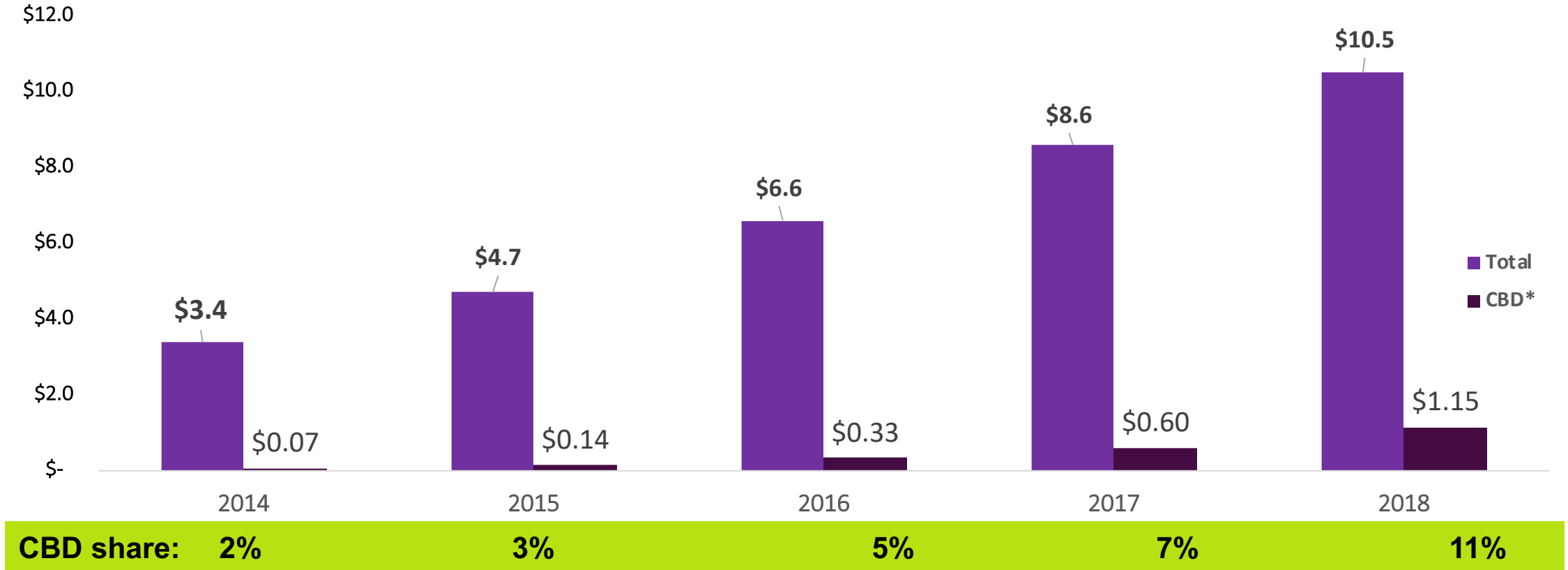
Top Reasons for Purchasing CBD Pet Products

1. Treat/manage a health problem
2. Avoid Rx medications
3. Improve quality of life
4. Relieve pain
5. Manage stress



From almost nothing, CBD sales growing faster than overall dispensary channel sales

Total USA Legal Cannabis Spending and CBD share (\$USD Billions)



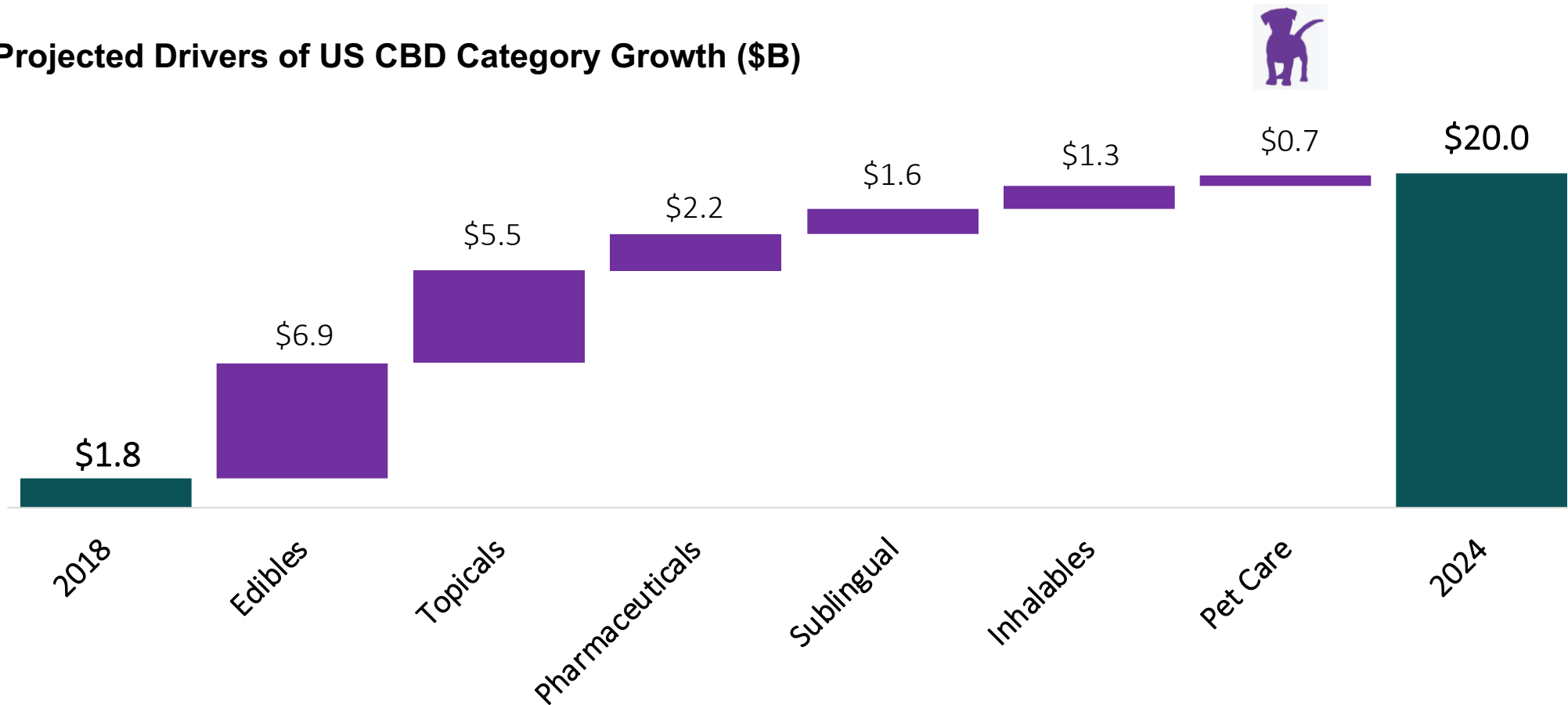
*Products containing a substantial proportion of CBD

Source: BDS Analytics CBD Market Monitor, Arcview & BDS Analytics

Within CBD, growth largely will come from Edibles and Topicals

Pet a small, but relevant part of the \$20B CBD opportunity

Projected Drivers of US CBD Category Growth (\$B)



Source: BDS Analytics CBD Market Monitor and Arcview Market Research

OTC, Rx medications are the biggest casualty of legalization

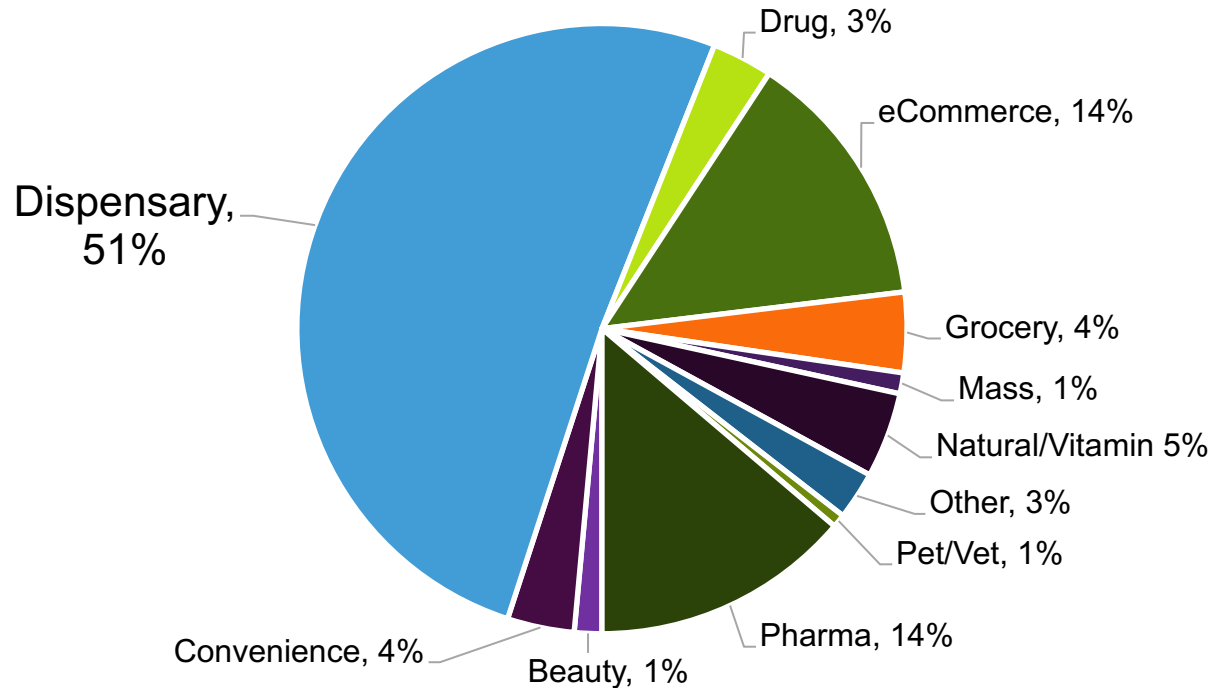
And the dispensary channel dominates high-CBD sales today

Top Categories Replaced by Marijuana/CBD Product Purchases
(based on dispensary purchases in legal markets)

BDS Analytics' Total US CBD 2019 Market Projection:
\$4.1 billion

#1: OTC medications (48%)

#2: Rx medications (38%)



Source: IRI-MFour Cannabis Dispensary Exit Survey, Feb. 2019; Q4. What, if anything, is the marijuana/CBD product(s) you bought today replacing?

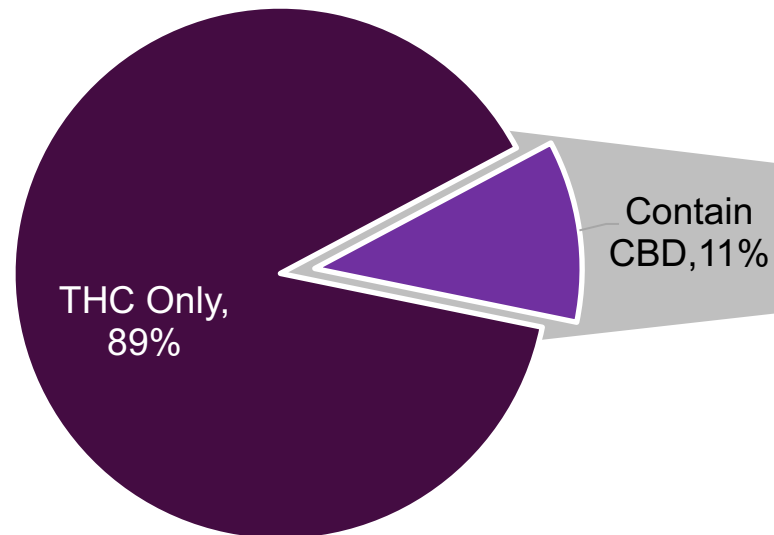
Legal Cannabinoids...

Learn From Dispensaries

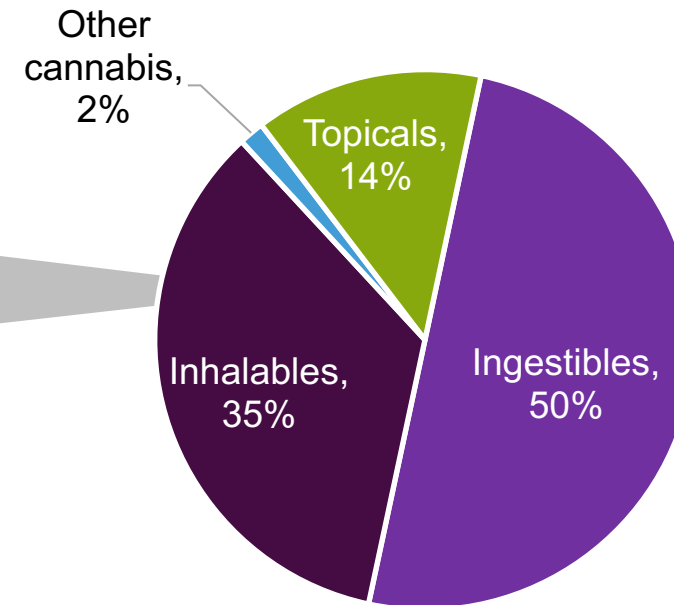
The legal dispensary channel is a crucial part of the CBD conversation

As the total CBD market grows, the dispensary channel is a leading indicator of success

Dispensary Channel CBD % of Sales, 2018



Dispensary Channel CBD Product Market Share, 2018

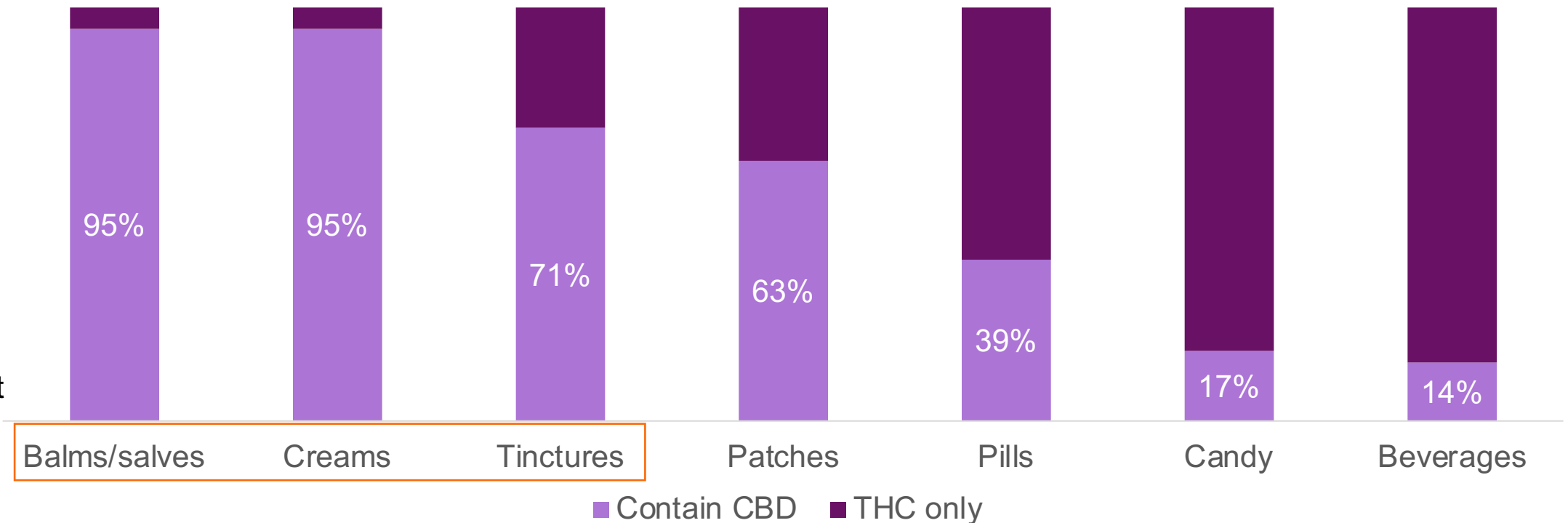


Source: BDS Analytics Retail Sales Tracking 2018, total dollar sales AZ, CA, CO, OR

High-CBD products often are the first to emerge on general market

Topicals and Tinctures have been dominant dispensary CBD forms for years

% of Dispensary Products Containing CBD, by Category



Most prevalent CBD categories in the general market →

Source: BDS Analytics Retail Sales Tracking, 2019 YTD

More specialized delivery systems, product innovations mean greater access

Wider product assortments, and wider availability across retail outlets

Supplements
Soft Gels



Supplements
Gummies



External Pain



Supplements
Oil



Sleep



Skincare



Beverages



Pet products
mostly in the
form of
tinctures, treats



Source: BDS Analytics; company websites

Beyond CBD, cannabinoid pet products a growing part of total dispensary channel

\$ sales to date

\$20.4M

Category growth, Q2 2019 vs. 2018

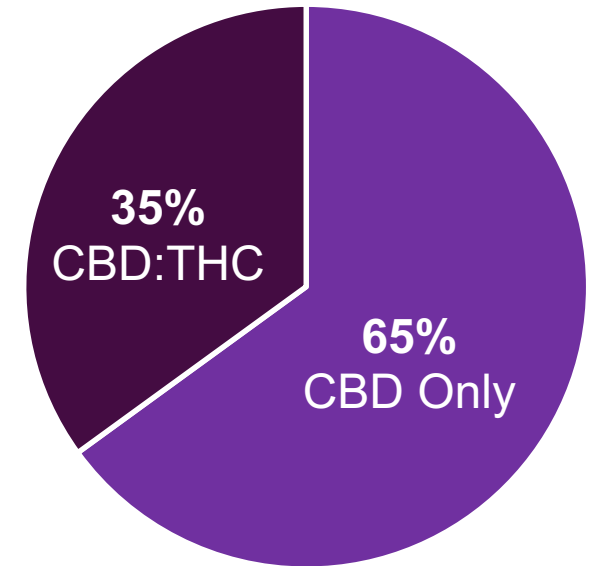
+17%

of brands (2019 YTD)

38



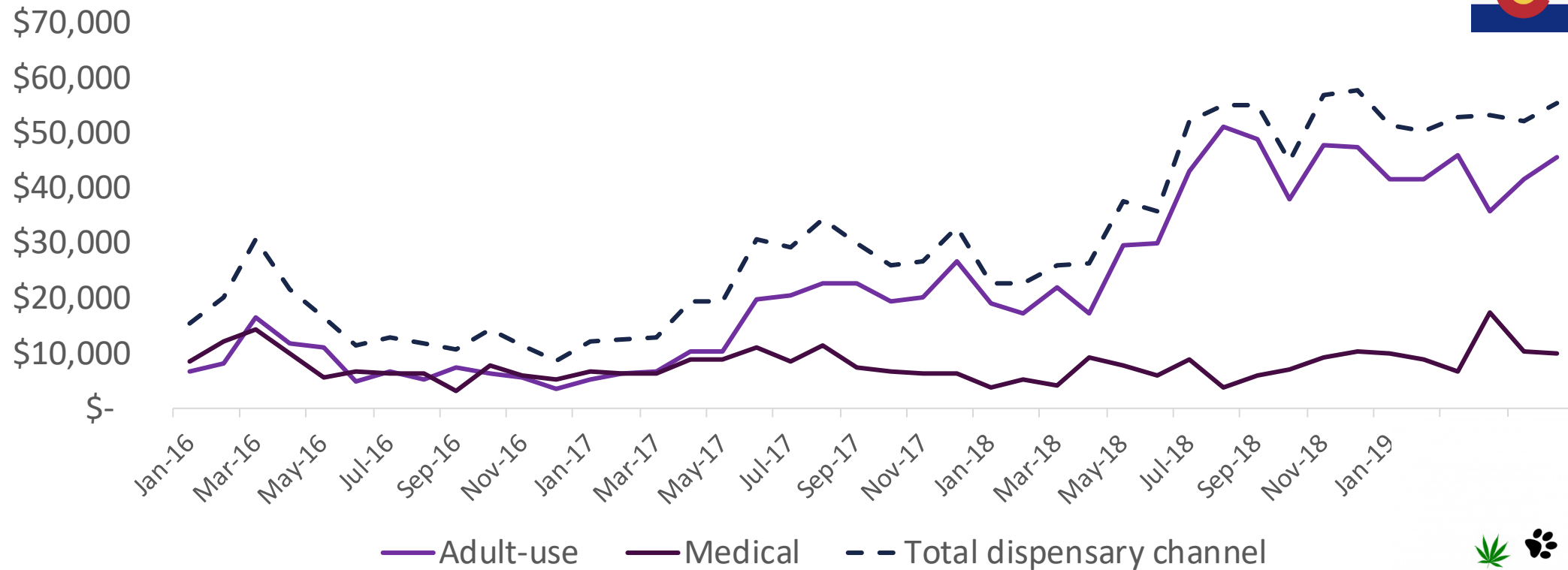
Attributes of Top 20 Pet Products, Q2 2019
(dispensary channel dollar sales)



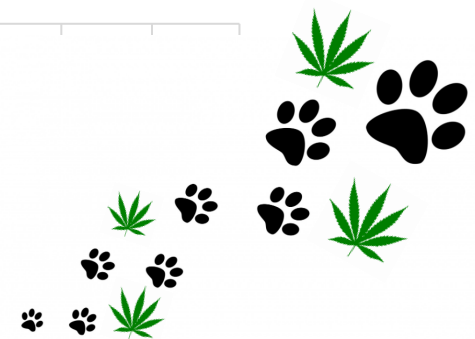
Source: BDS Analytics Retail Sales Tracking ; manufacturer websites

Adult-use channel drives cannabis pet sales at dispensary channel...

Pet Category Dollar Sales: CO Dispensary Channel

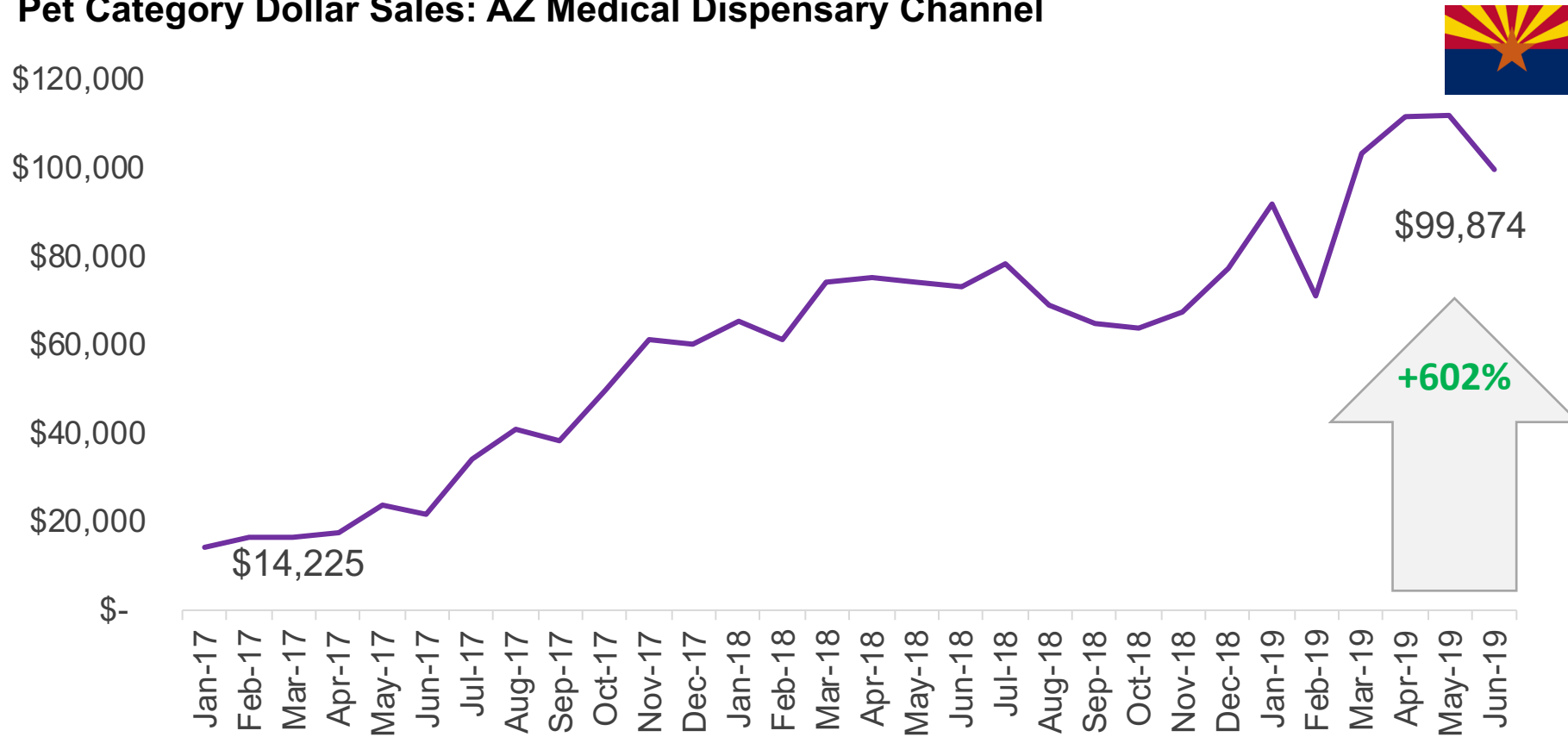


Source: BDS Analytics Retail Sales Tracking, January 2016–June 2019



But, canna-pet products can thrive in medical markets as well

Pet Category Dollar Sales: AZ Medical Dispensary Channel



Source: BDS Analytics Retail Sales Tracking, January 2017–June 2019



No matter your industry, must be mindful of the dispensary channel

Manufacturers play across channels

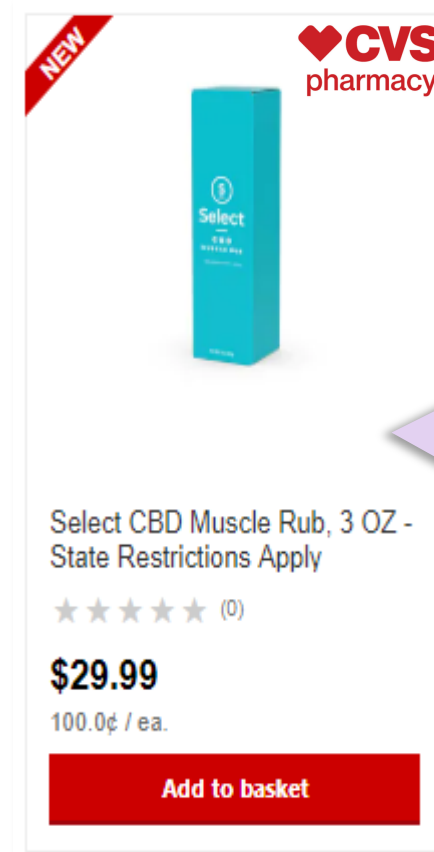
Colo. Walgreens CBD assortment



Select

TWO of eight SKUs in CO Walgreens are Select. Select Oil is the **#1 brand** in Dispensaries in the US, driven by Vape products, selling ~\$210M in 2018.

CVS online CBD assortment



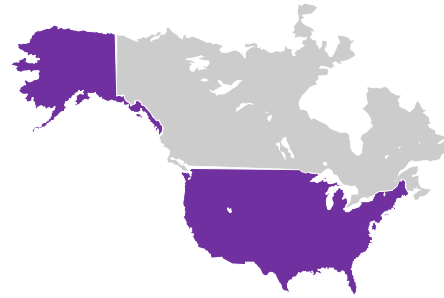
CVS is selling CBD in eight states and has a distribution deal with Curaleaf (which spans 12 states, 48 dispensaries, 13 processing sites, and 14 cultivation sites).



Source: BDS Analytics Retail Sales Tracking, 2018 \$ sales and 2019 YTD (June) \$ sales

Most importantly, there is still a LOT of room for education

Massive confusion exists and consumer education is necessary – *retailers and manufacturers*



There are no differences in the effects of CBD or THC

56%

incorrect or do not know

Down from
63%
in Q3 2018

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

59%

incorrect or do not know

Down from
61%
in Q3 2018

Only 22% of US 21+ population knows what cannabinoids are and can articulate the definition.

BDS Analytics Consumer Research Q1 2019; across US adults 21+

Consumers seek trust in the product, brand, and the experience

And they look to others for confirmation



Consumers are **STRONGLY** influenced by familiarity/recommendations...

It is something I have used before (54%)
Friend/Family Recommendation (44%)
Budtender Recommendation (41%)

Legal Cannabis is a Game Changer

- ✓ **Legal cannabis** (hemp and marijuana) is new, cannabis is not
- ✓ **Pain management is a top reason for cannabinoid product use** – but it's not the **ONLY** reason
- ✓ **Cannabinoid pet products** are a growing part of the total CBD *and* dispensary markets
- ✓ **Rise of CBD impacts general market categories** – especially when it comes to pain
- ✓ **CBD in general retail** slated for huge growth, but dispensary channel is leading indicator
- ✓ **Education is needed!**

IT'S A NEW GAME.

What does that mean for
your business?

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