

State of the Industry: A Look at the Numbers



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Legal Cannabis is a Game Changer

- Legal cannabis is new, cannabis is not
- CBD's escape from the dispensary opens general retail to cannabinoids
- Range of investment plays from CPG companies, to public Canadian LPs, to public US retailers to privately owned brands
- Data is the key to spotting the winners and losers early
- Constantly evolving—keep up

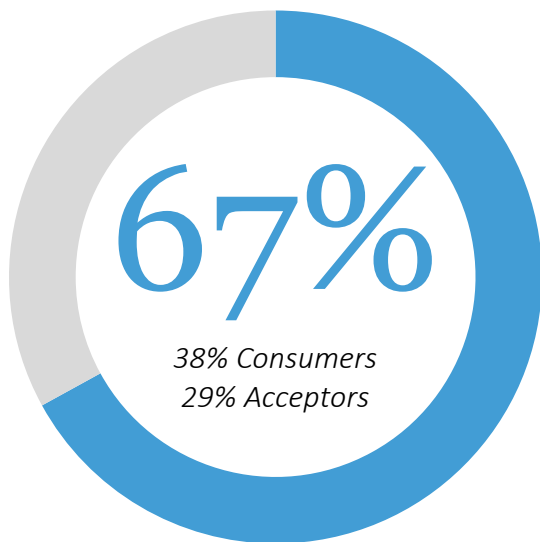
Legal
Cannabis is...

Growing



There are Consumers, Acceptors and Rejecters™ of Marijuana

Marijuana Acceptance is “Mainstream”



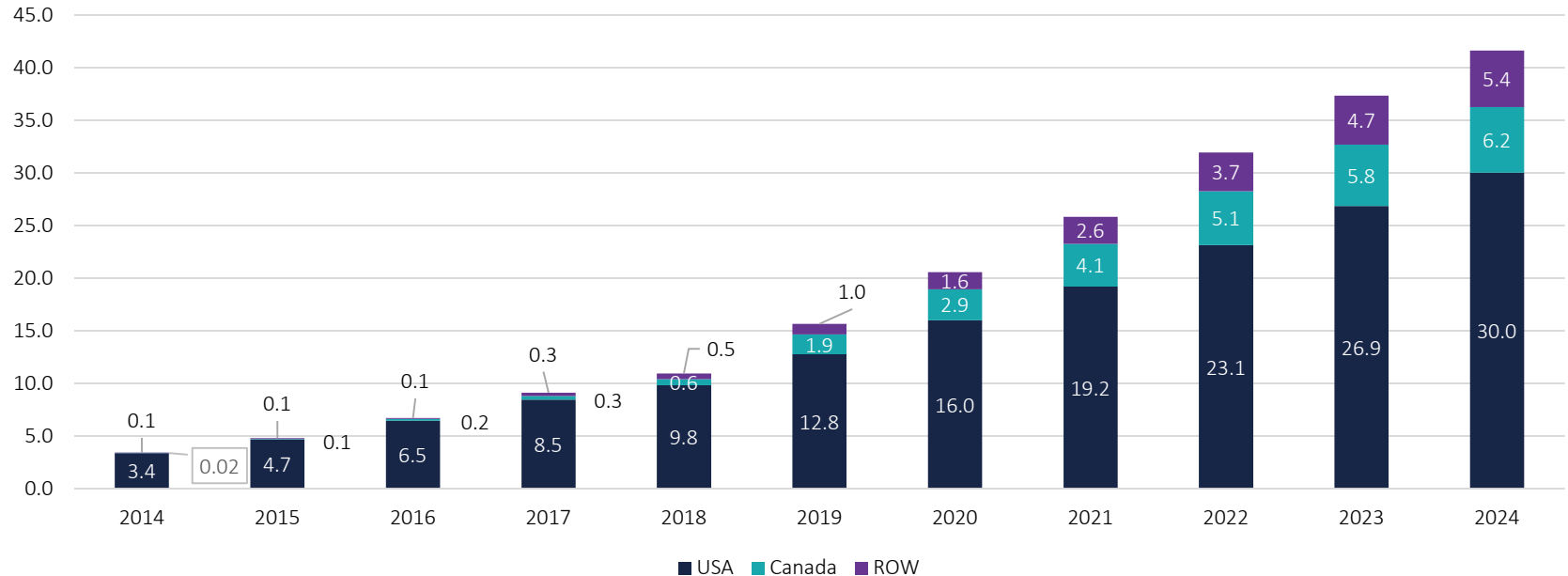
...of adults 21+ in Fully Legal U.S. States Consume Cannabis or are Open to Consuming Cannabis

~ **33%** are *Rejecters*
(would not consider in the future)

Arcview and BDS Analytics Project a Global \$41B Market in 2024

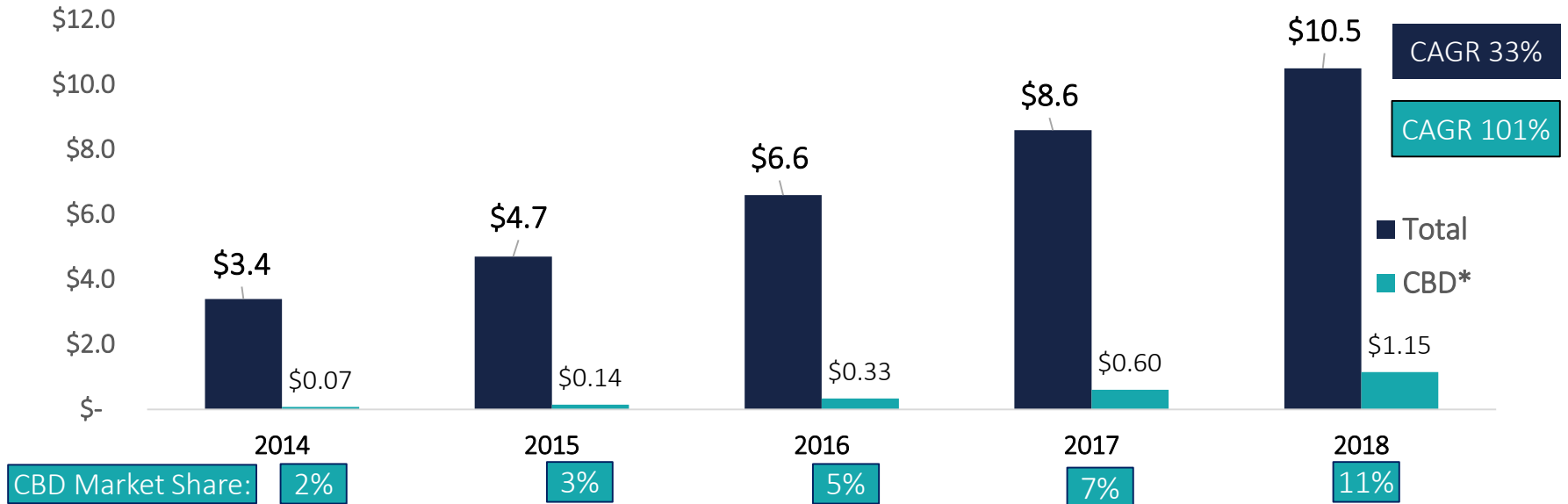
The Tip of the Iceberg

Global Legal Regulated Cannabis Spending by Region

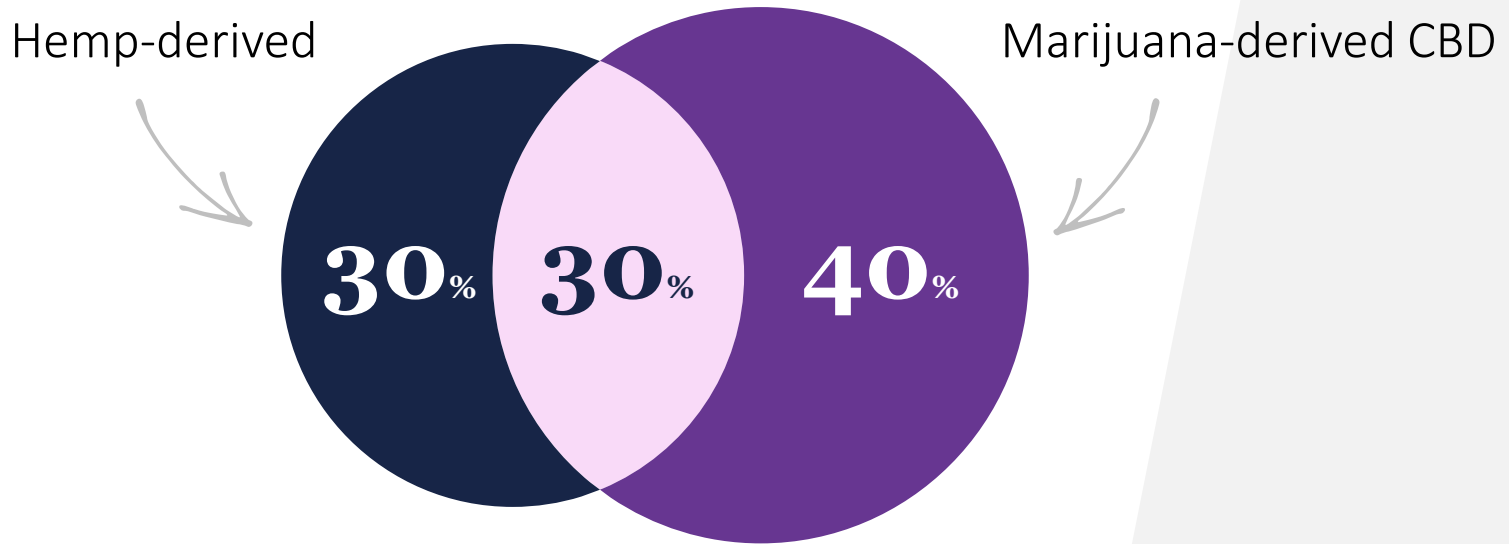


CBD: It Started in Dispensaries

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

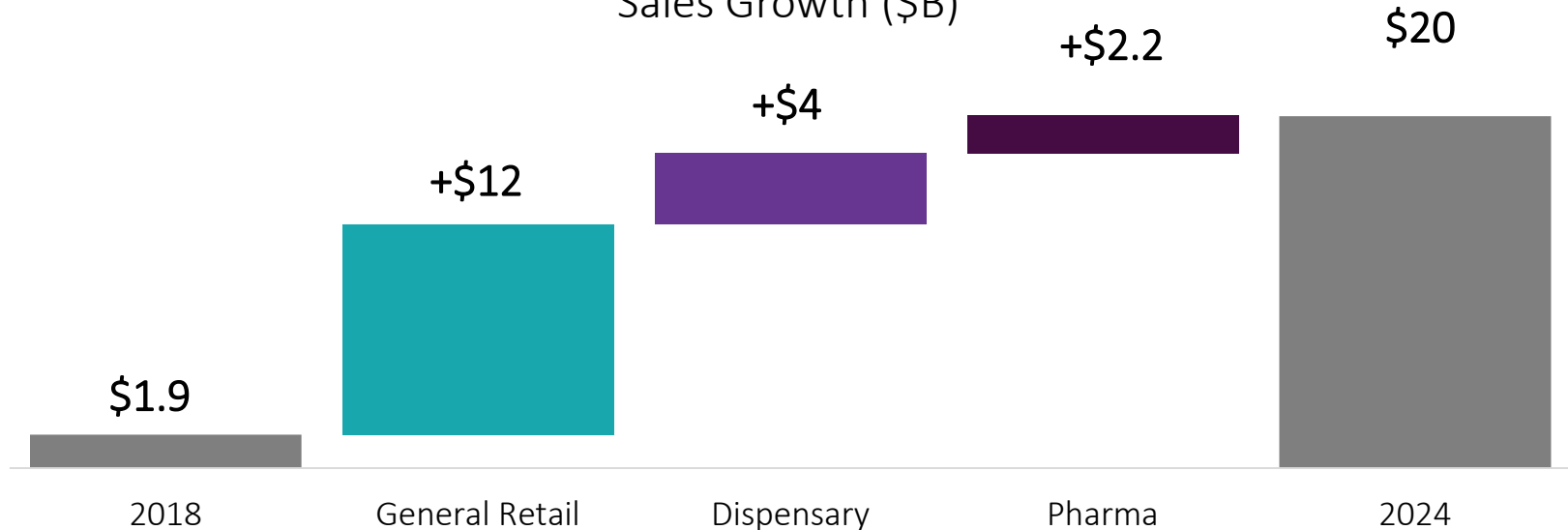


Of CBD Consumers, there is substantial overlap



We Project Dramatic Growth Driven by General Retail

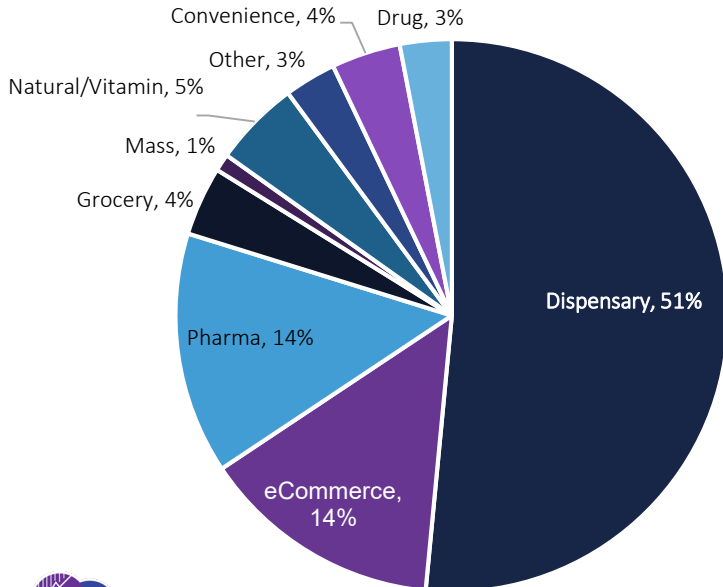
BDS Analytics' Projected U.S. Channel Drivers of Cannabinoids
Sales Growth (\$B)



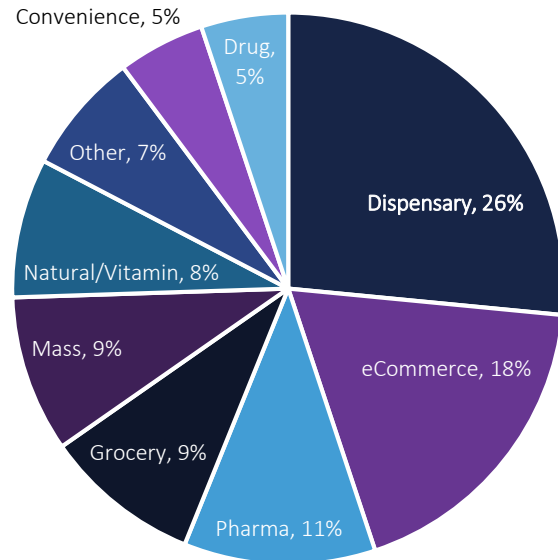
The Dispensary Channel's Game to Lose

Dramatically More Competition Coming as U.S. CBD Grows to \$20 Billion in 2024

Projected 2019: \$4.1B

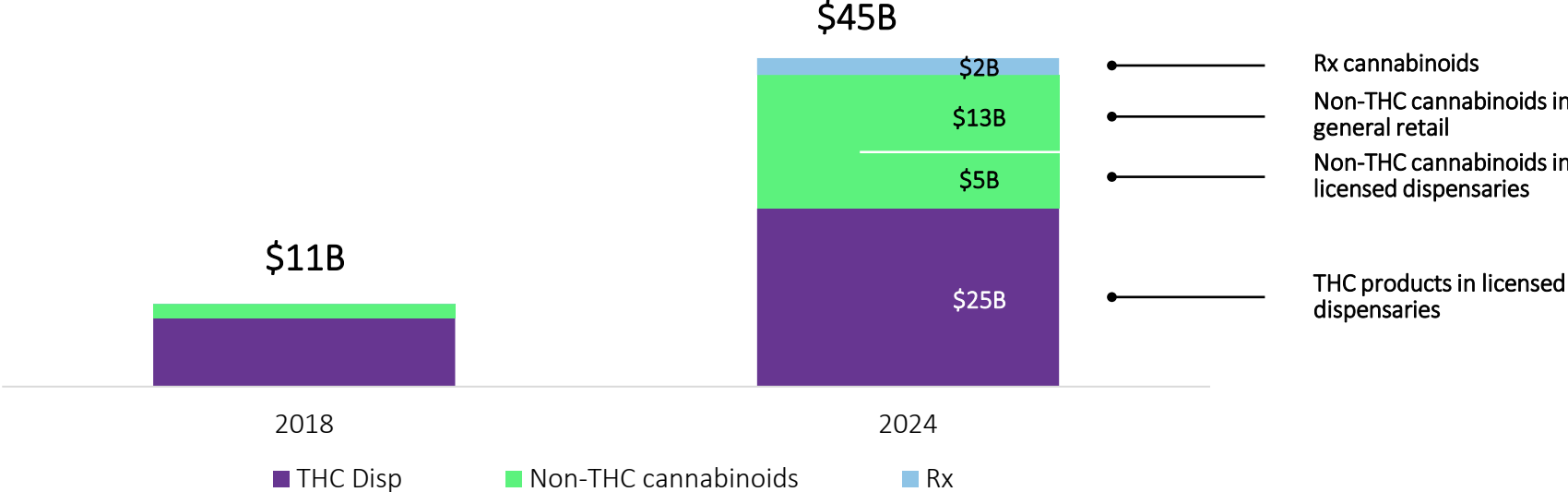


Projected 2024: \$20B



Components of the U.S. Total Cannabinoid Market 2018 vs. 2024

USA Projected US Total Cannabinoid Revenues (\$B)



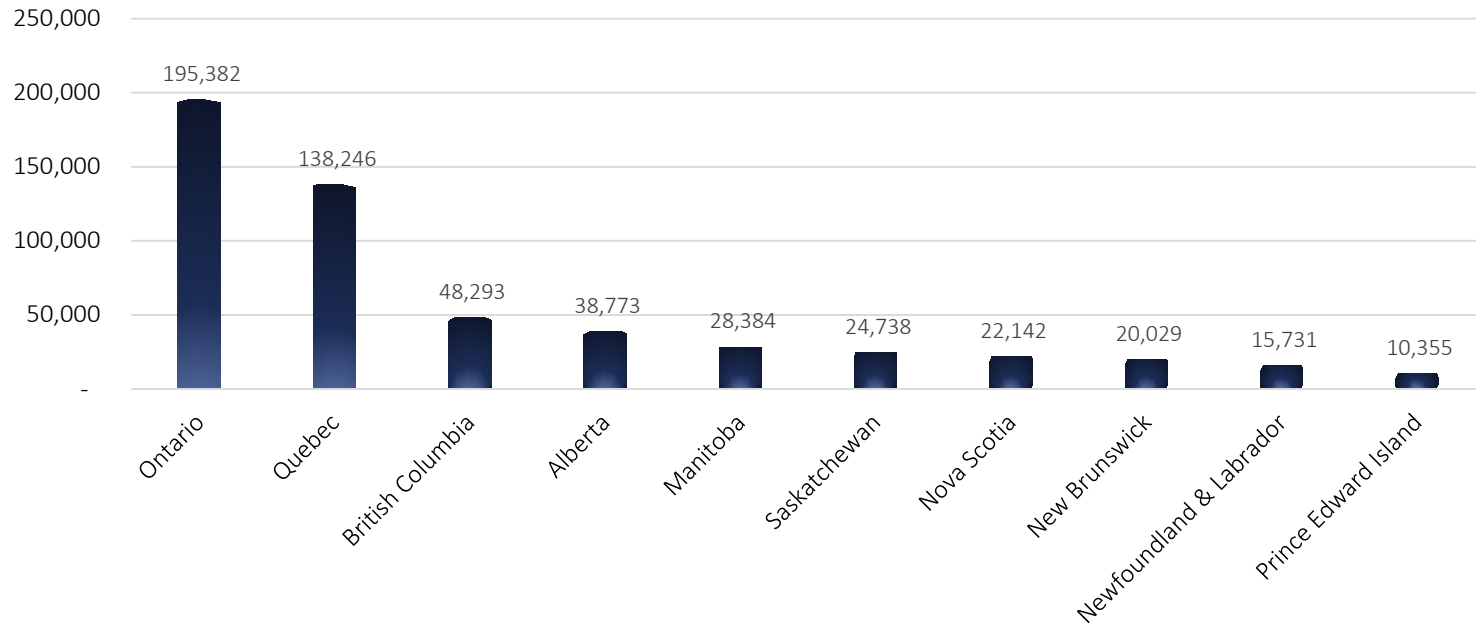
Cannabis
Investment is...
Evolving



The Trailblazing Canadian LPs

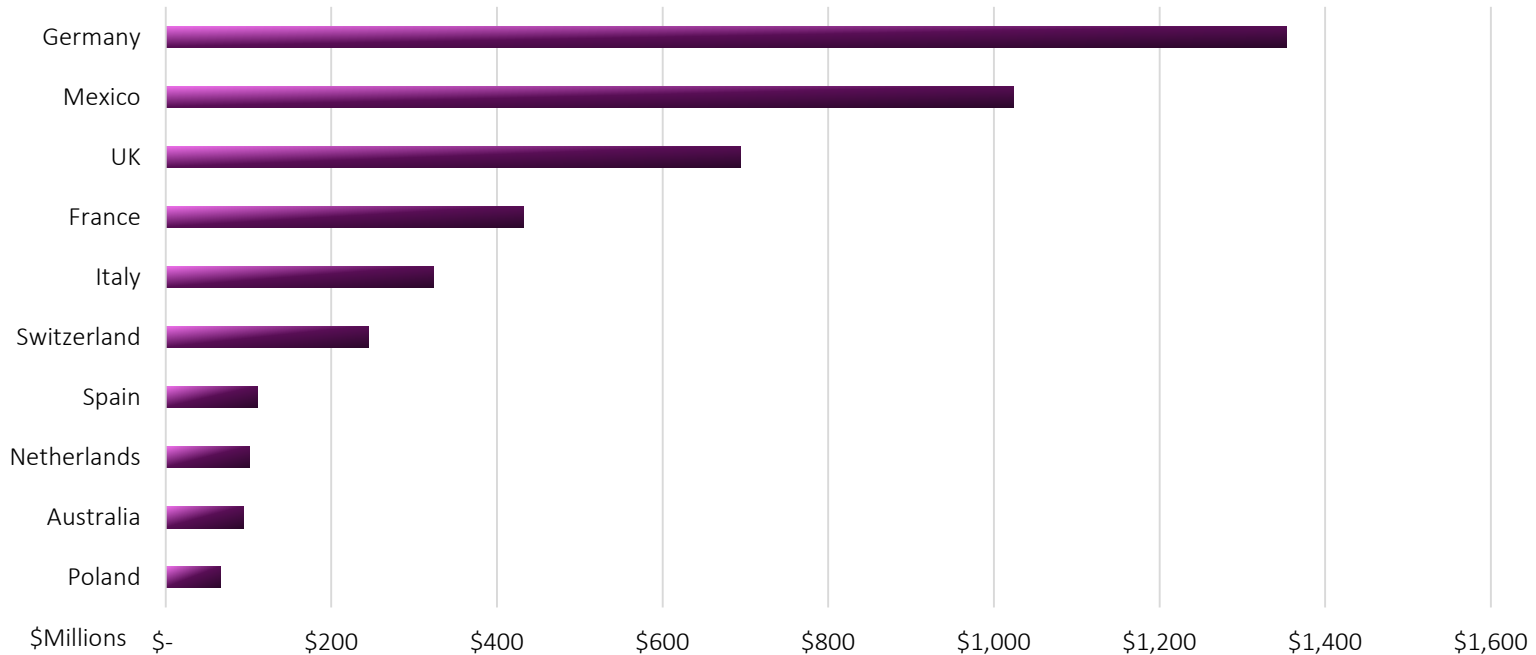
The Domestic Opportunity

Retail Coverage: Adults Per Store By Province



The Trailblazing Canadian LPs

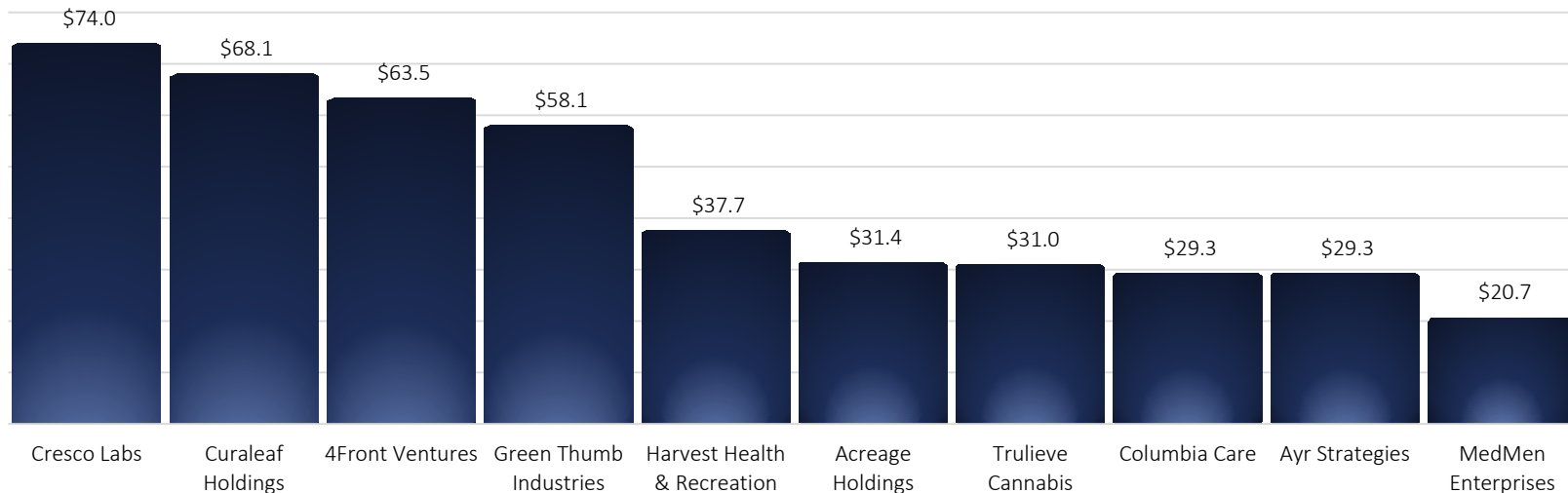
Access to Fast-Growing World Markets



The Public MSOs

Per-License Revenue Reflects Differing Strategies

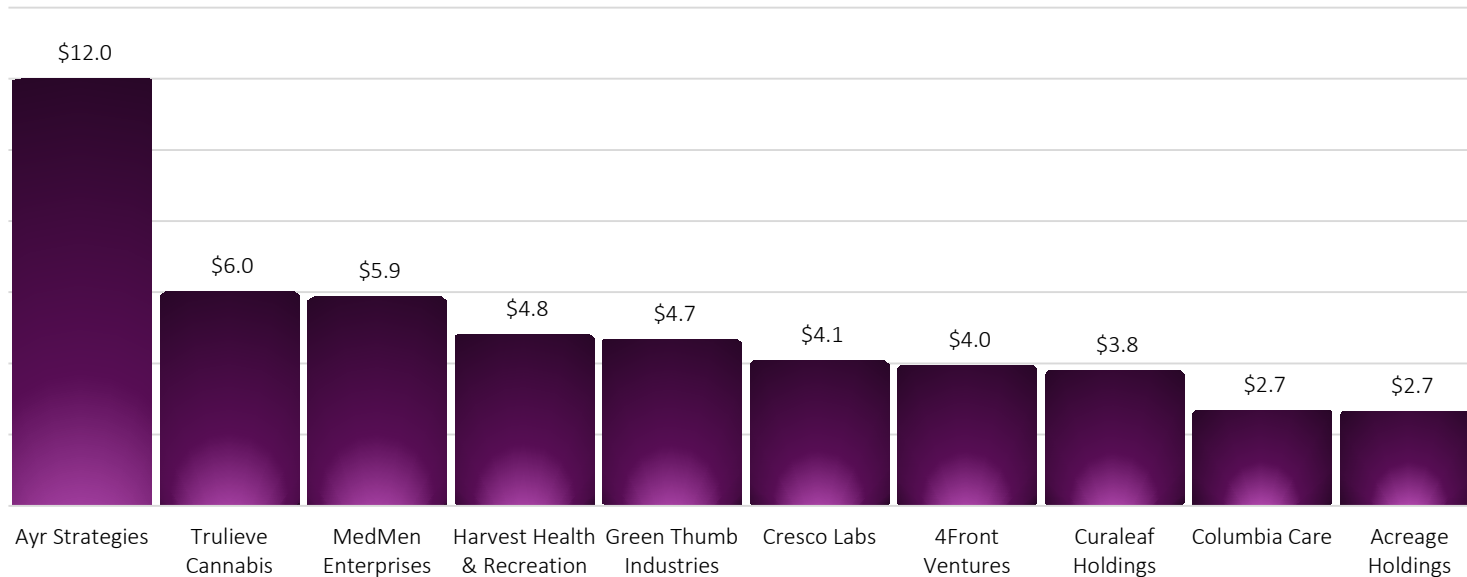
Market Cap Per Active U.S. Retail License



The U.S. Retail Opportunity

Publicly traded Multi-State Operators

2019 Estimated Revenue by Active License (Annualized from 2H2019 actuals)



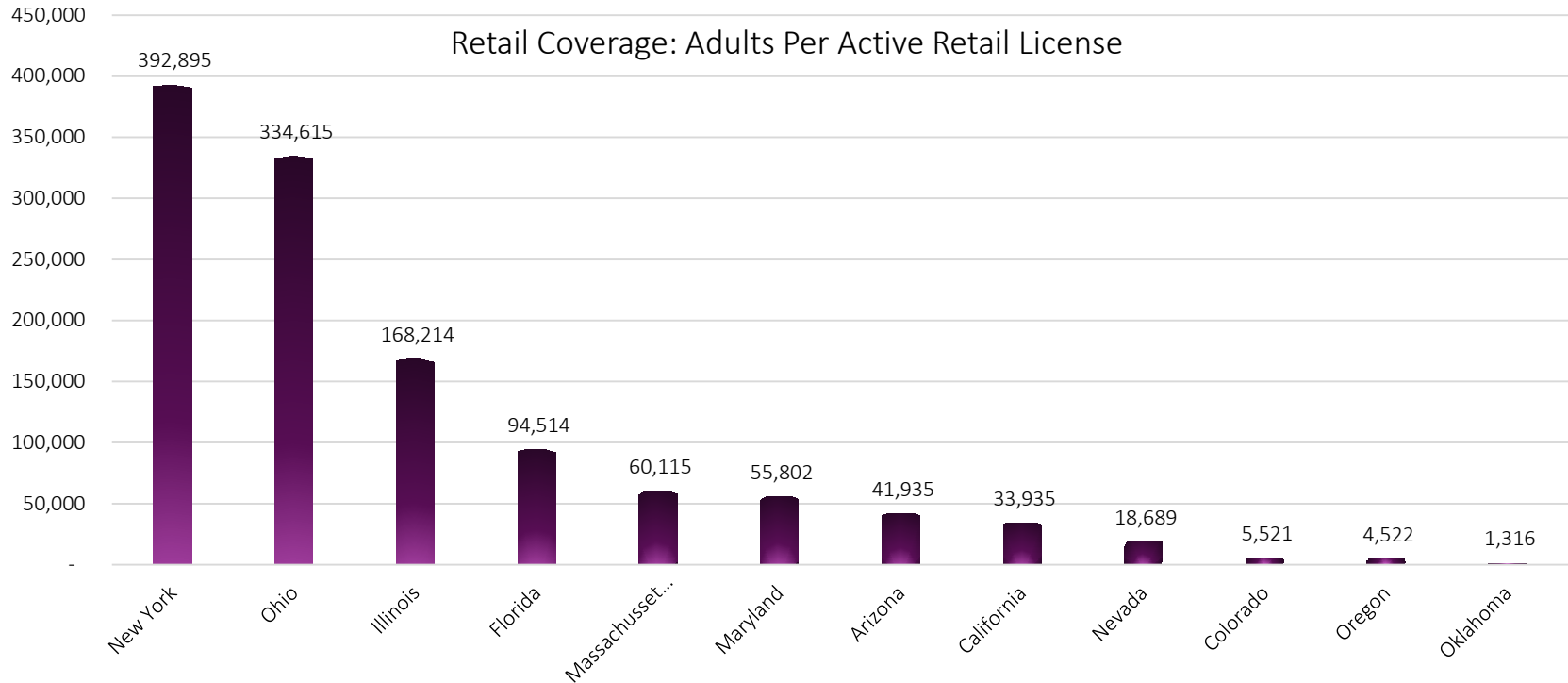
Few Investments Have 3 Protective Moats



- Against other specialty stores
- Against mass merchants and e-commerce
- Against the internet

A Unique Retail Opportunity

Limited Versus Liberally Licensed States





*“Without data,
you’re just another
person with an opinion.”*

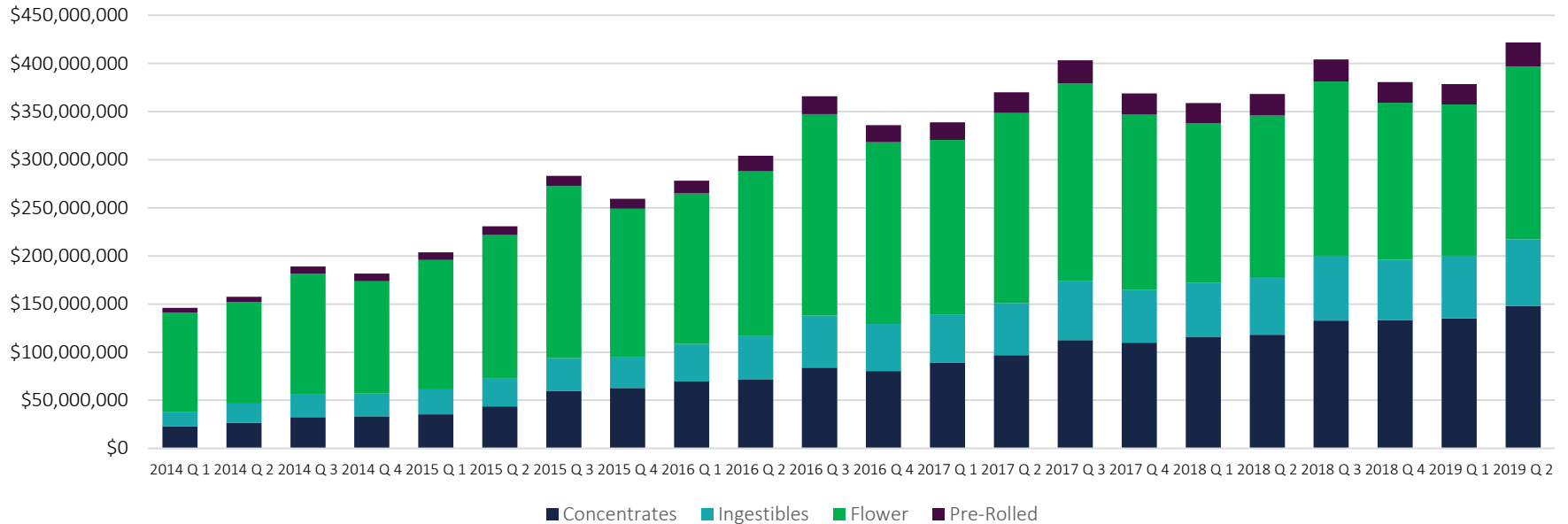
- W. Edwards Deming,
Data Scientist

Growth by Product Category



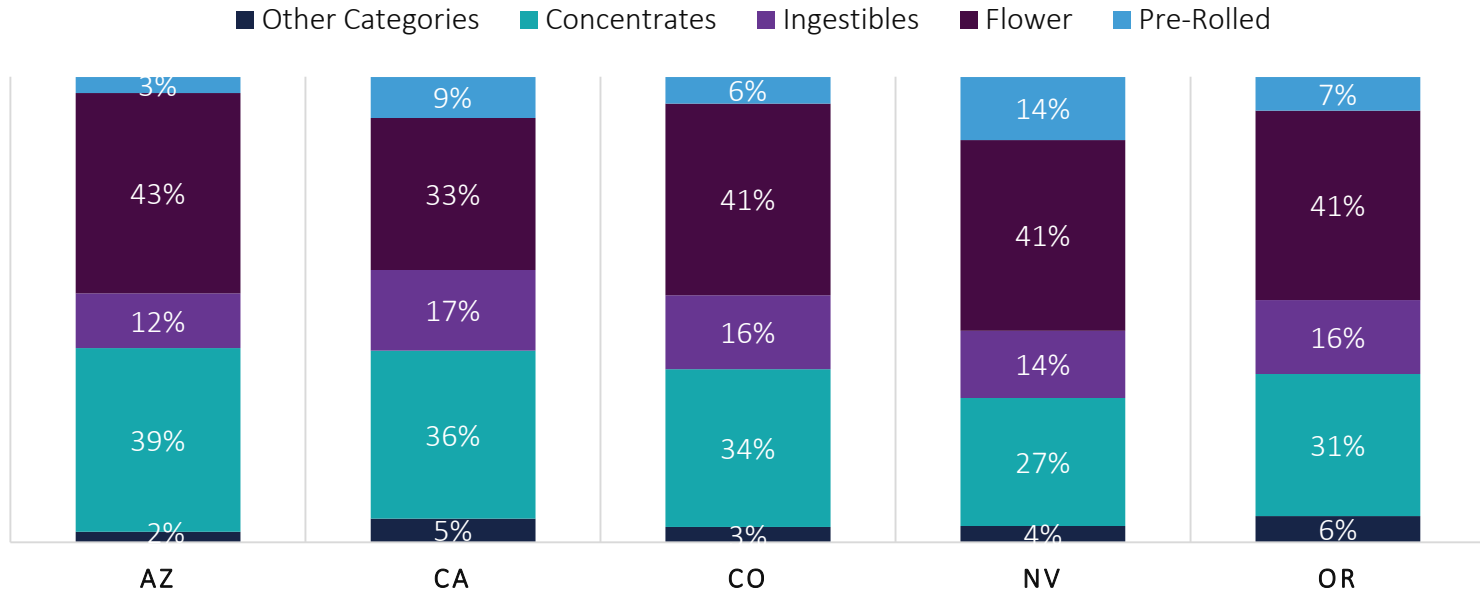
Sales By Product Category

Colorado Total Category Sales Trend
Jan 2014 - Aug 2019



Different States, Same Patterns

Category Share by State - Q2 2019



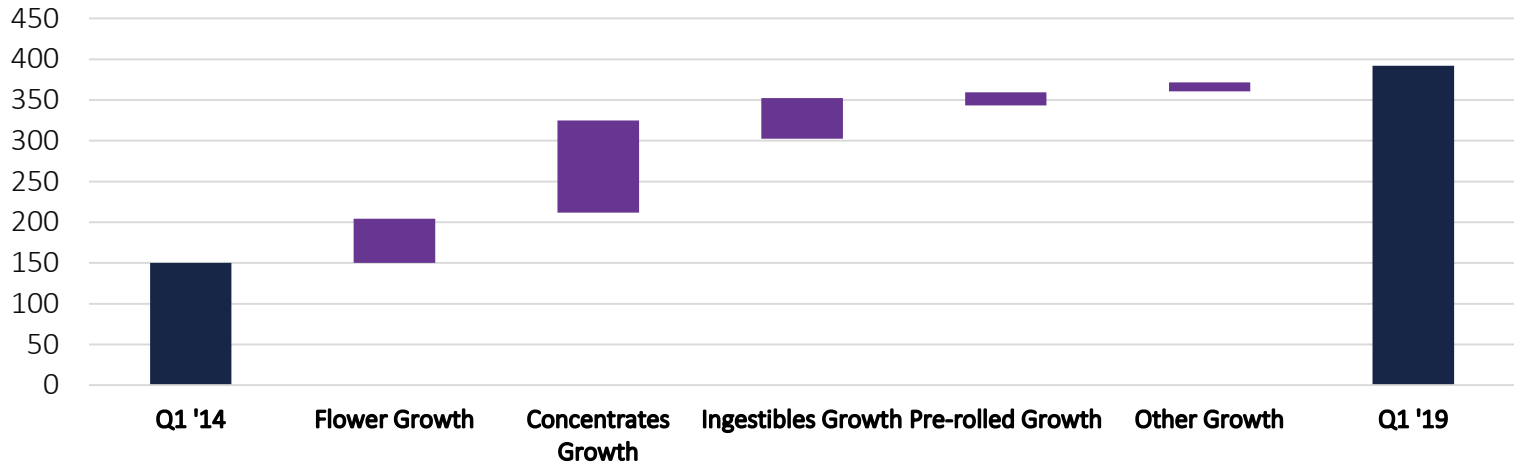
Diving into Concentrates



50% of Total Colorado Market Growth over 4 Years

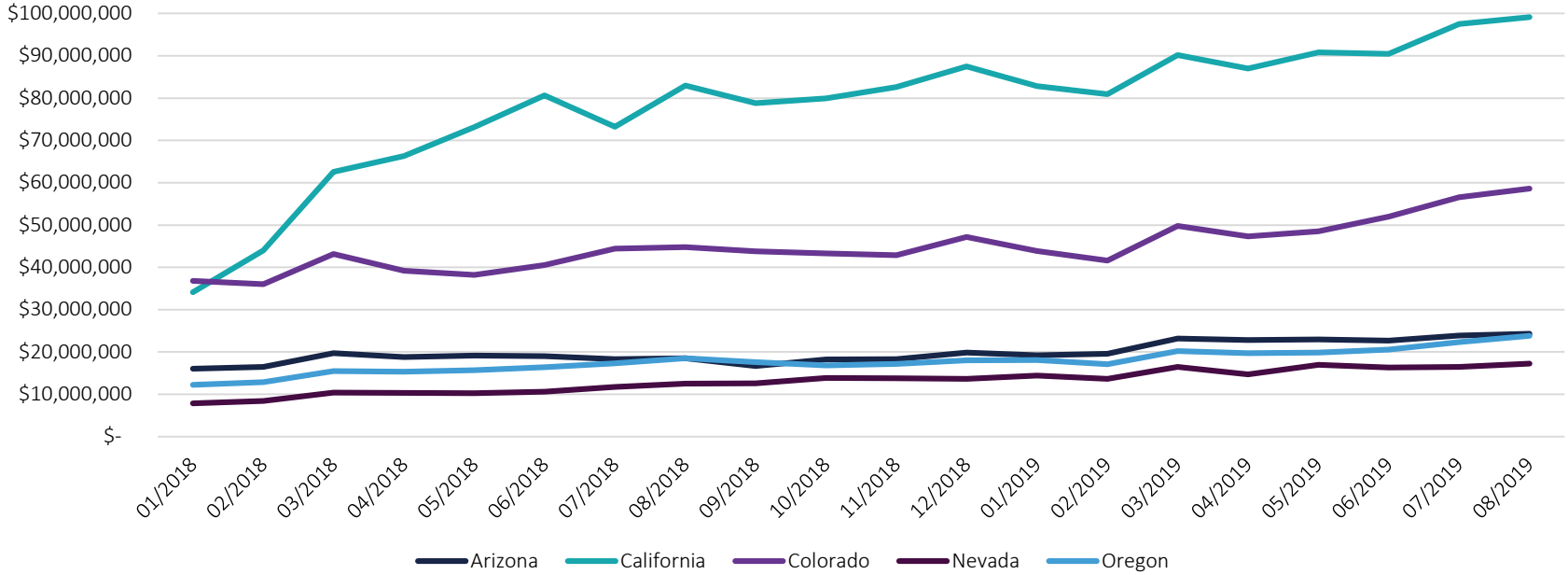
Concentrates Driving Growth

Category Drivers of Growth
CO Q1 '14 to Q1 '18 (\$M)



Strong Concentrates Sales Across States

5 Western States Cannabis Concentrates Sales

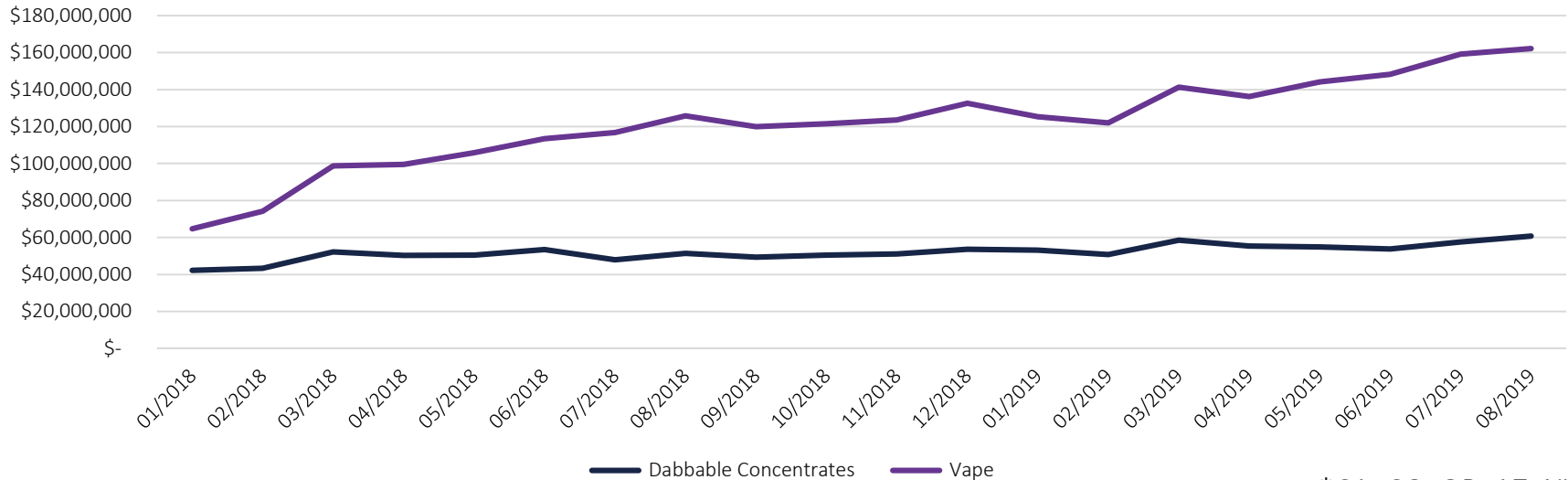


Vape Trends



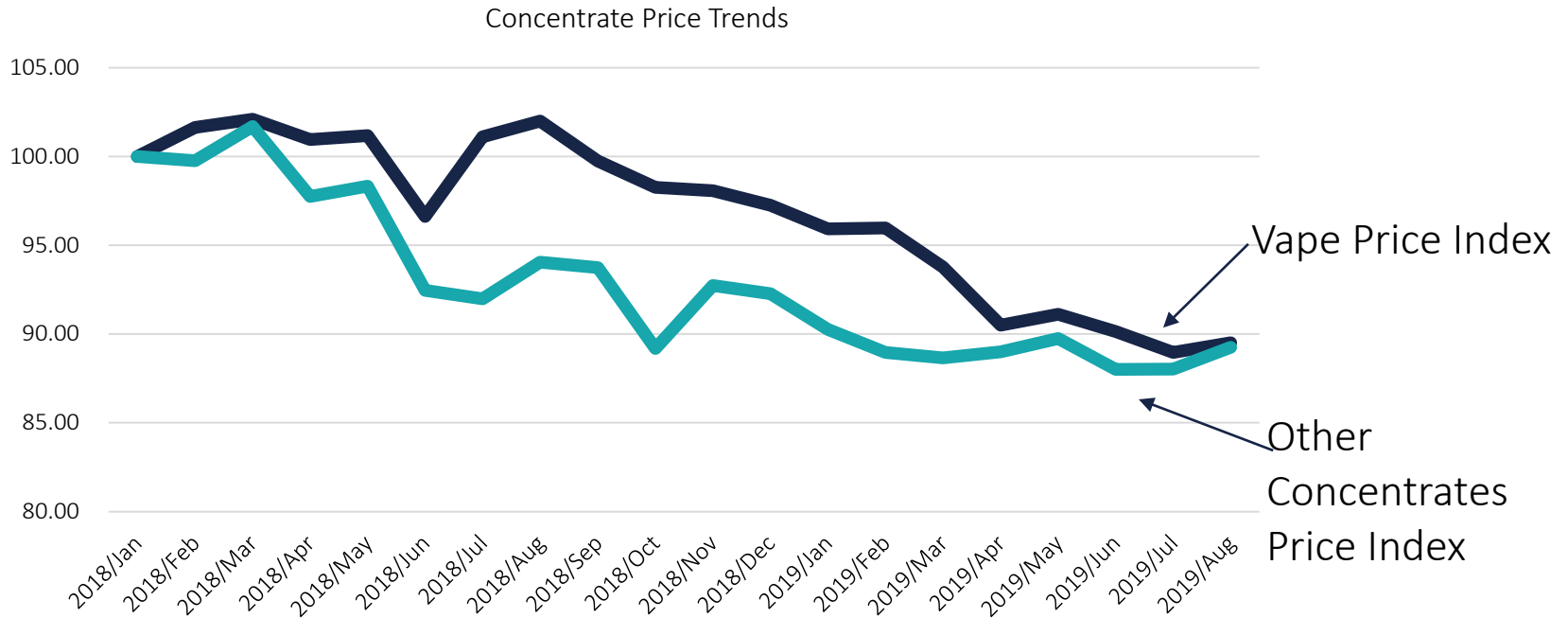
Vape Sales Outstripping Other Concentrates

5 Western States* Cannabis Vape Sales and Other Concentrates



*CA, CO, OR, AZ, NV

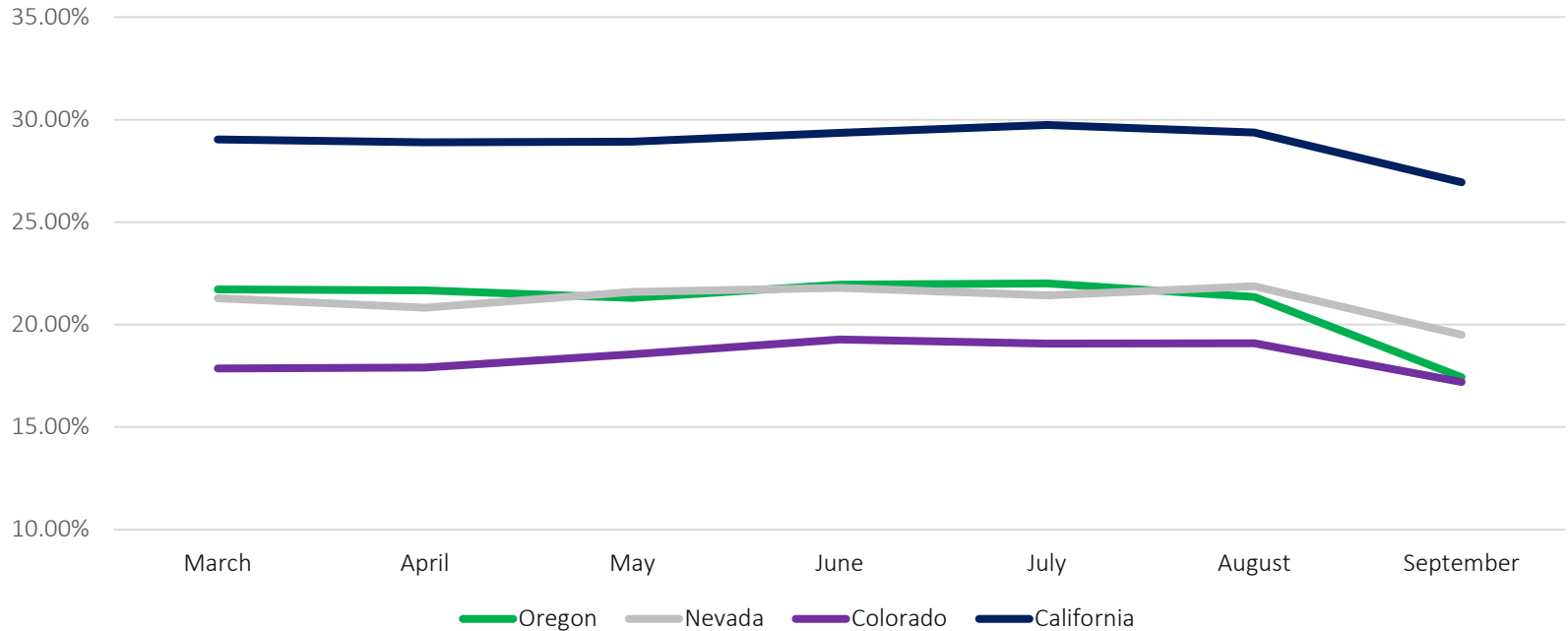
Vape Price Trends Down, Similar to Other Concentrates



*CA, CO, OR, AZ, NV

What's Happening Now?

Vape's Share of Sales



Assessing the Impact of VAPI

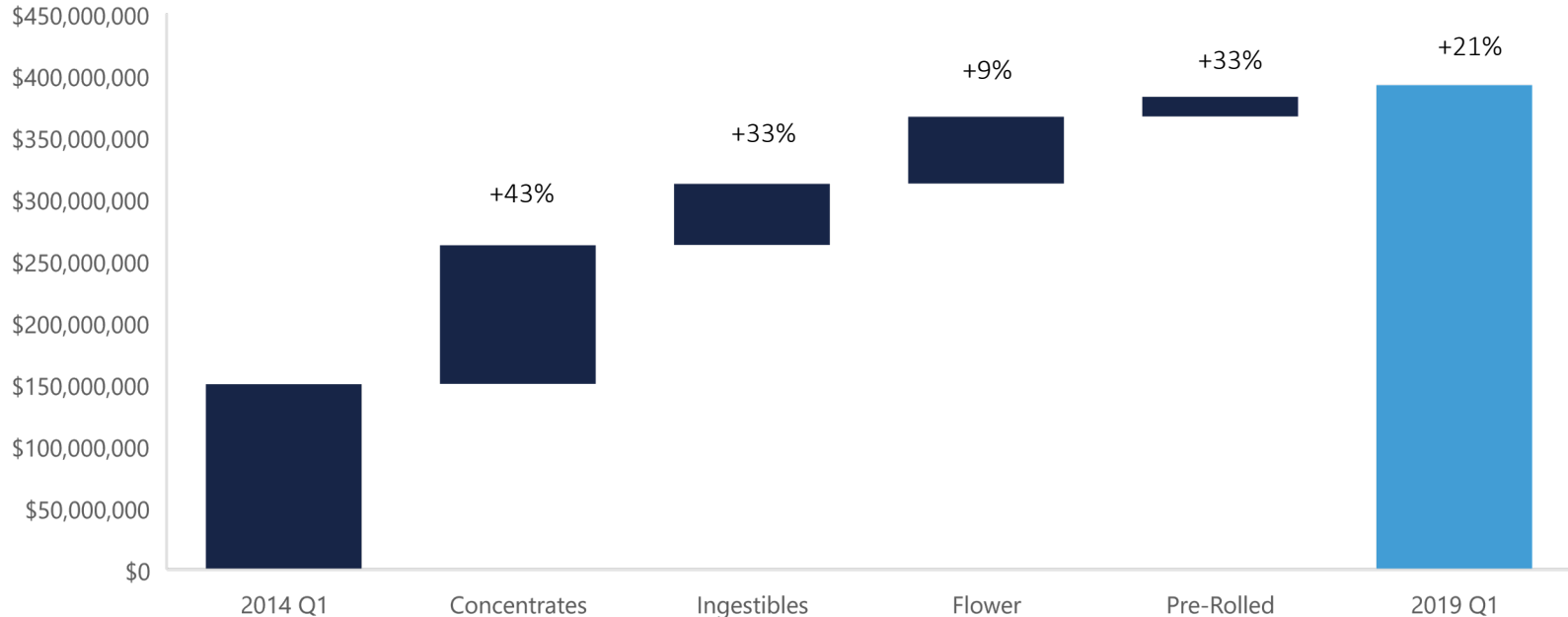
- Overall reduction in sales?
- Shift to other product categories?
 - Dabbables
 - Pre-rolled
 - Flower
 - Ingestibles
- Shift to certain brands and items?

Ingestibles Trends

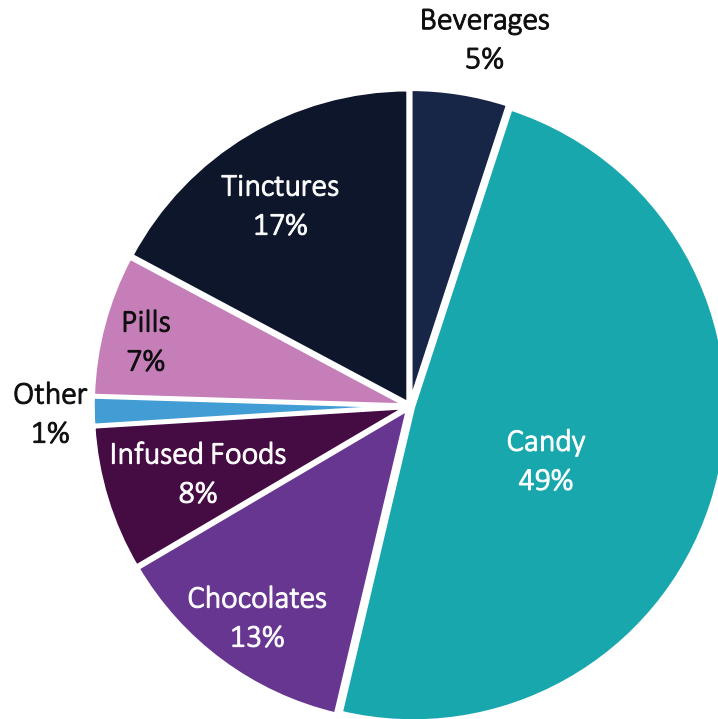


33% CAGR for Ingestibles in CO

Category Drivers of Growth - Colorado: Q1 2014 vs. Q1 2019



Within Ingestibles, Candy is the Star Performer



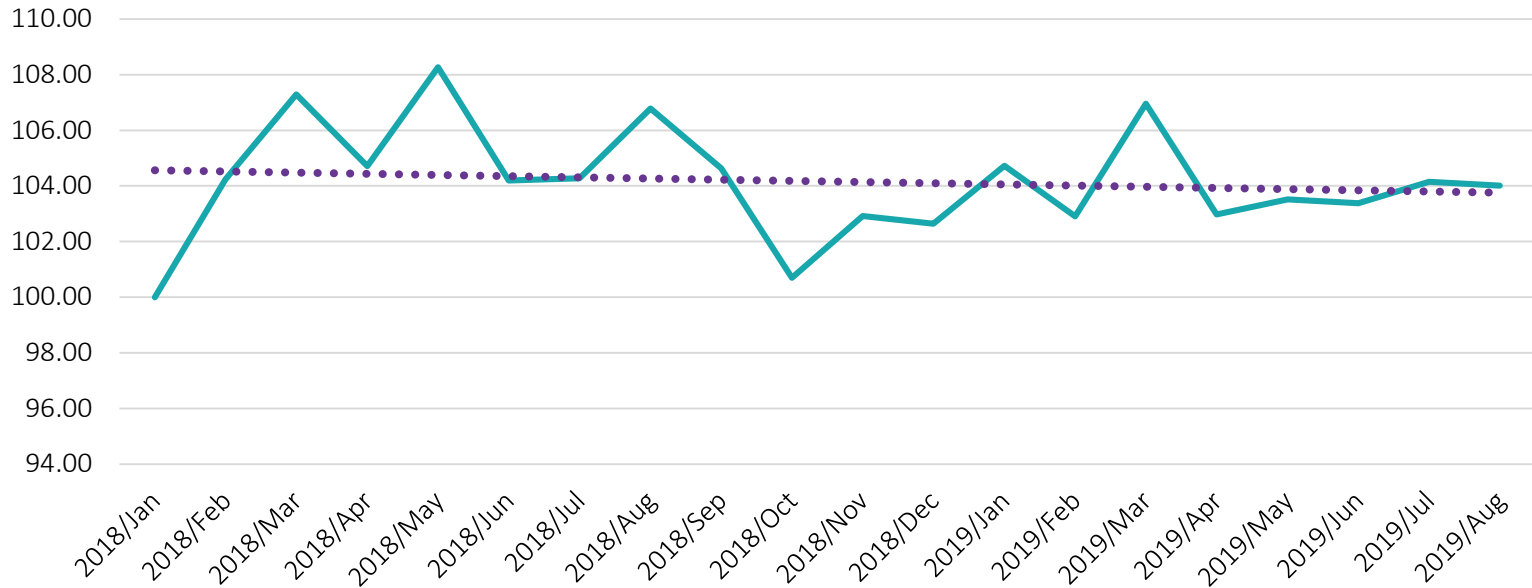
■ Beverages ■ Candy ■ Chocolates ■ Infused Foods ■ Other ■ Pills ■ Tinctures

Price Trends

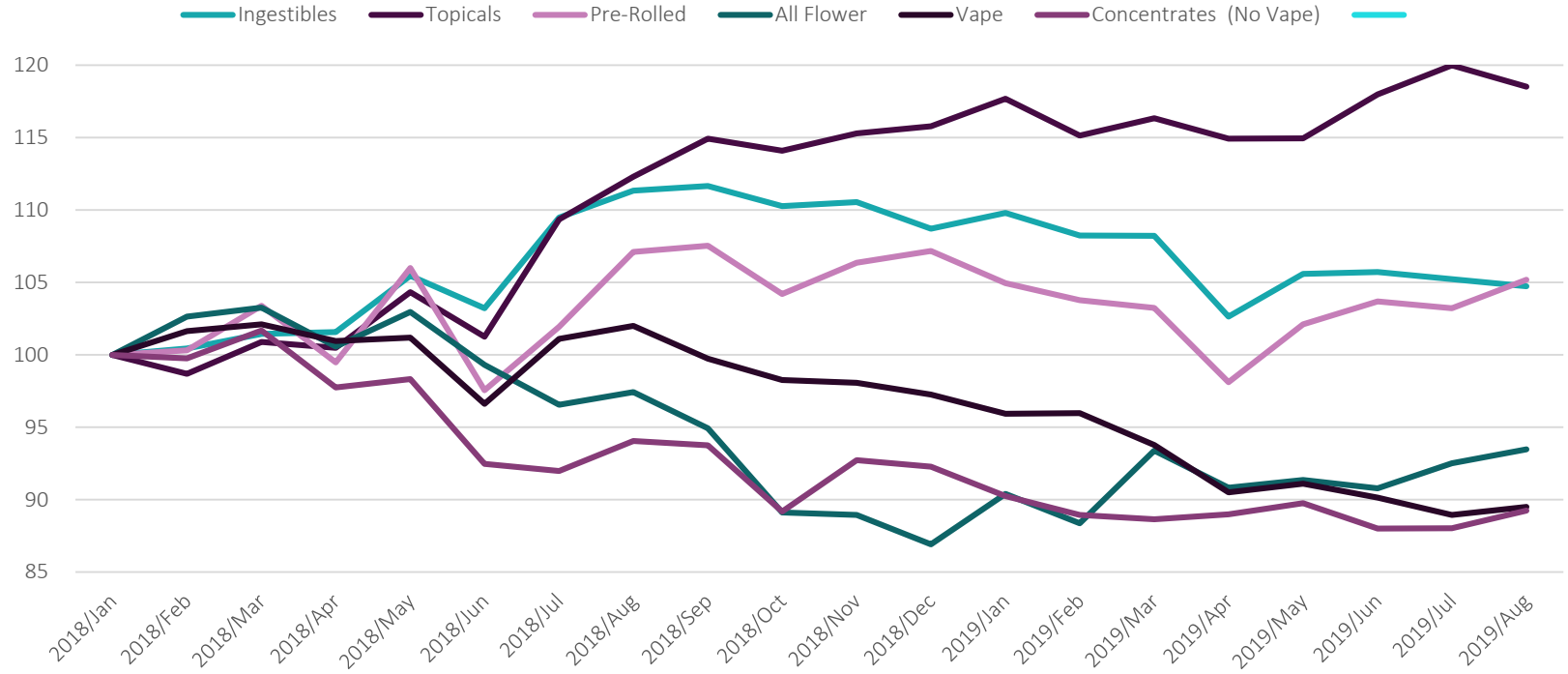


Prices Stable Across Categories

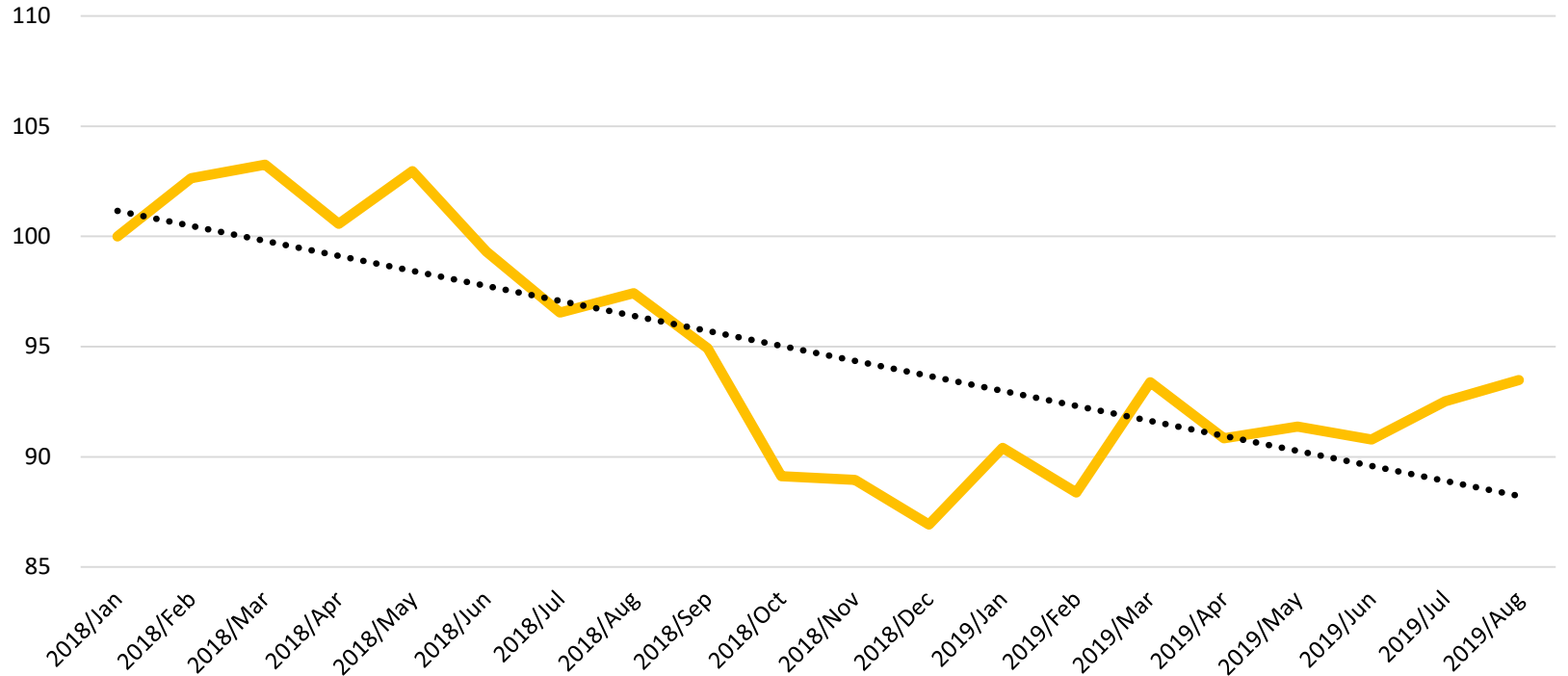
All Categories Retail Price Index (AZ, CA, CO, OR, & NV)



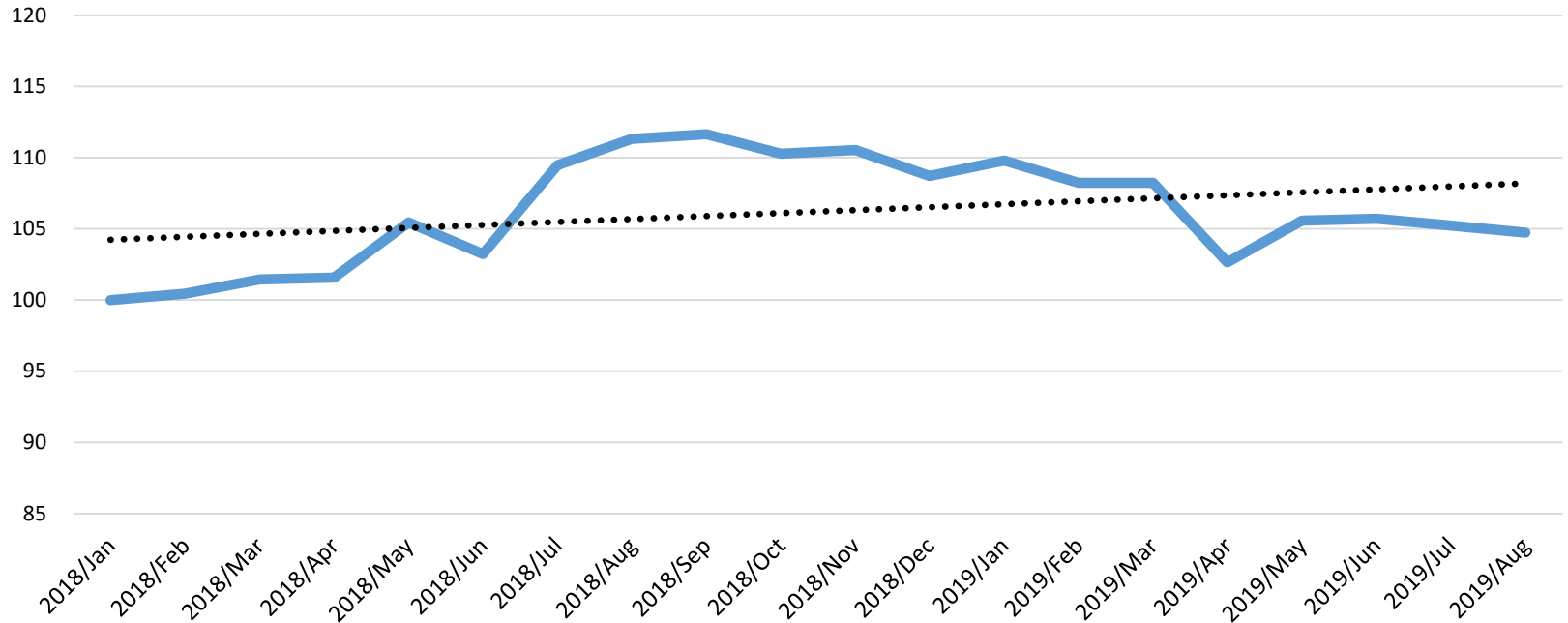
Wide Category Variance in Price Trends



Flower Trend Line Down 10% per Year



Price of Ingestibles Trending Up 5 Points



Brand Trends



Learn from Dispensary Channel

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

And they look to others for confirmation



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

54% It is something I have used before

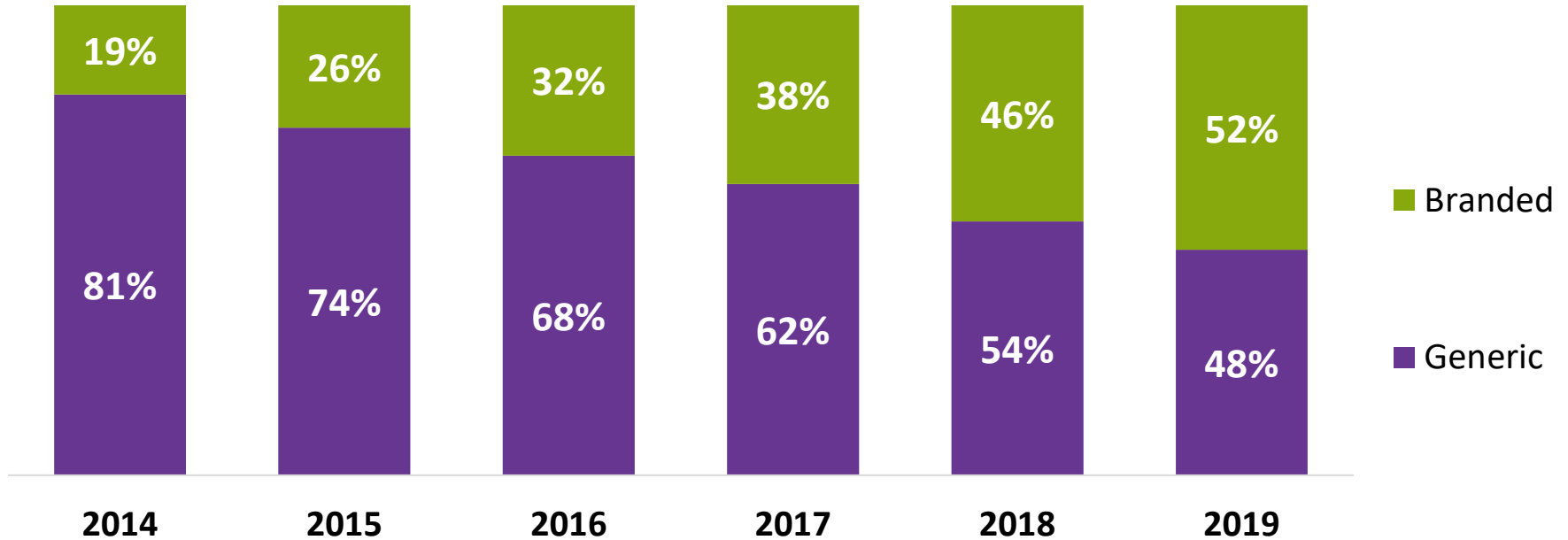
44% Friend/Family Recommendation

44% Budtender Recommendation

BDS Analytics Consumer Research Q1 2019 US adults 21+ Level 1 States

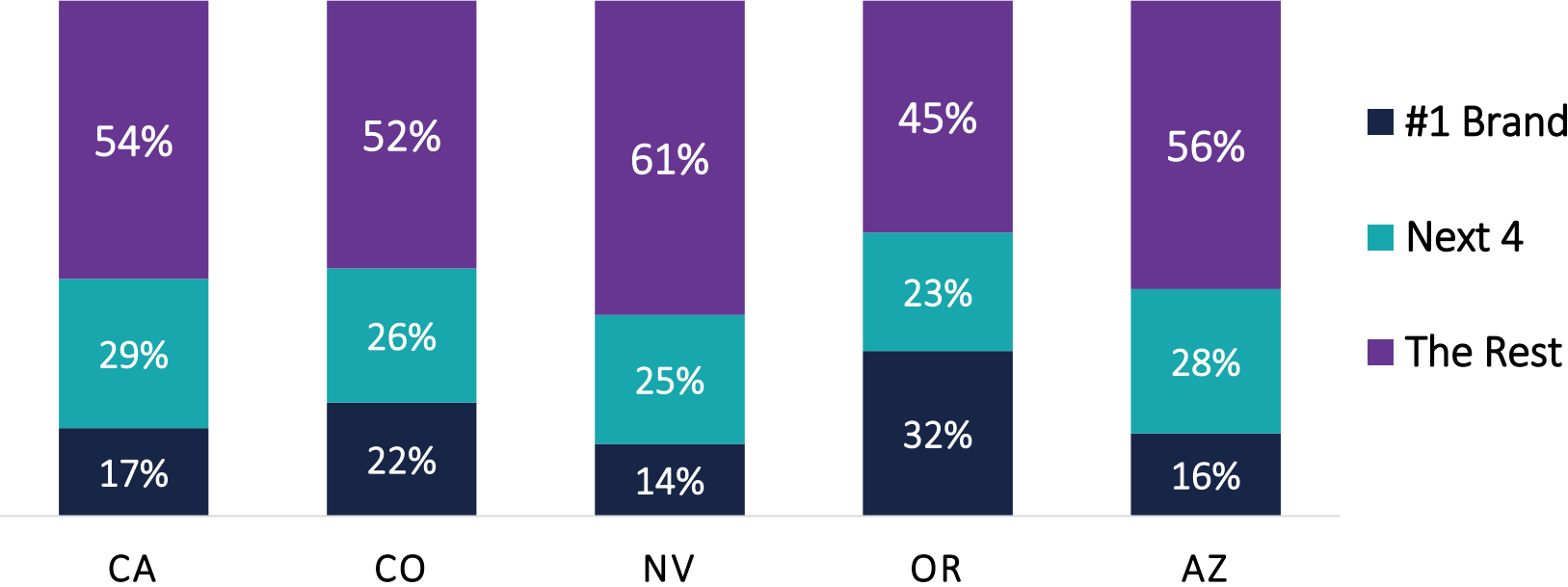
Branded Products See Tremendous Growth—Now >50% of Sales

Colorado Cannabis Retail Dollar Sales
Branded vs. Generic Products

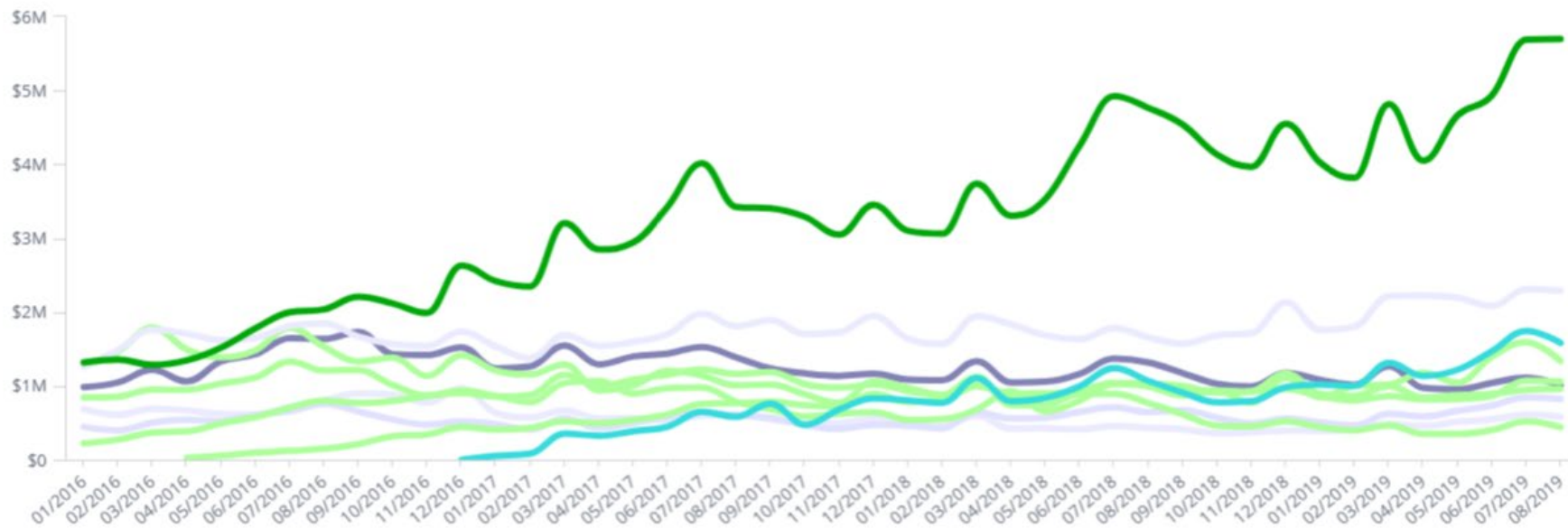


Brand Share - Already Top 5 Ingestibles Brands Have Close to 50% Market Share

Composition Of Brand Share By State % Q2 2019



Some Brands Take the Express Route to the Top

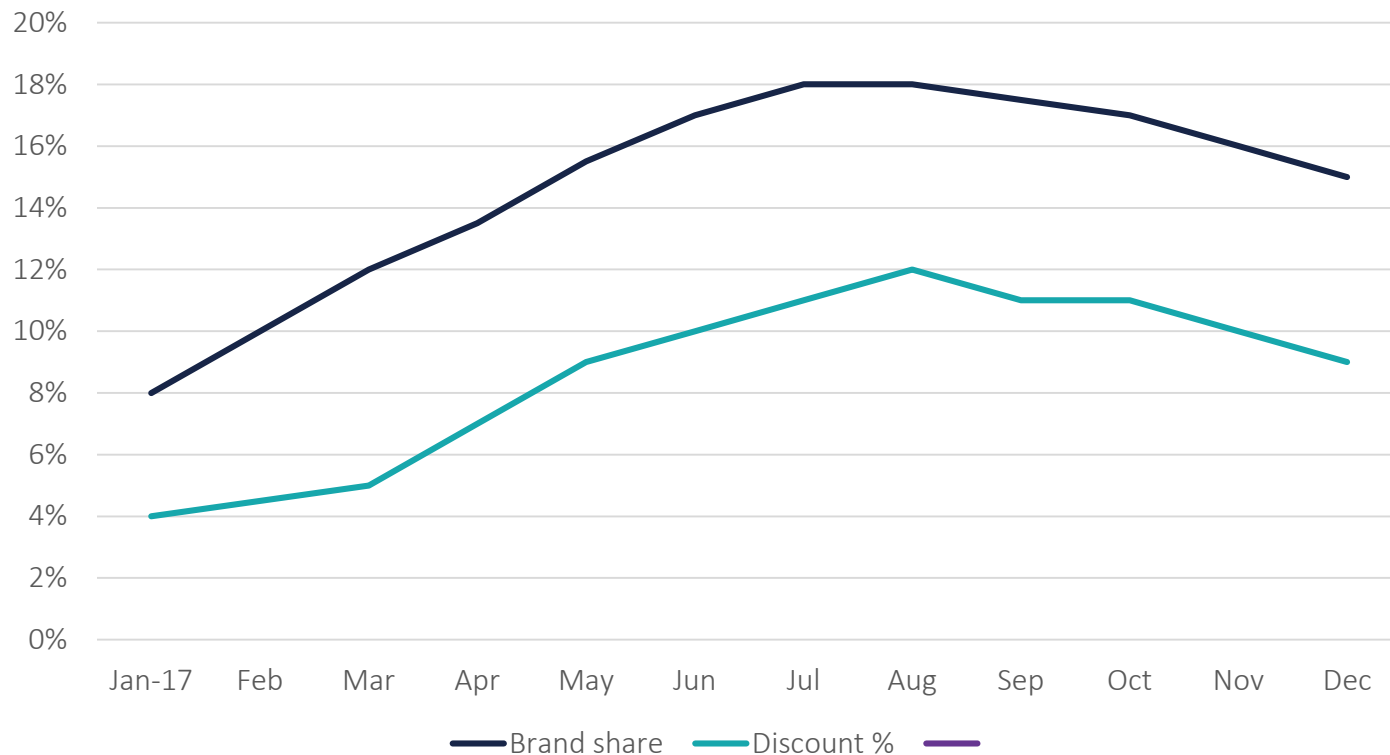


Brand Strength?

Concentrated in one or two products?

Discounting and other promotions?

Growth Impacted by Discounting?



CBD Is Rapidly Becoming Mainstream



CVS
pharmacy

800
stores in
8 states



W

~1,500
stores in
9 states



**RITE
AID**

200
stores in
2 states



ULTA
BEAUTY

All
stores
except 3
states



SEPHORA

All
stores
some
exceptions



Kroger

945
stores in
17
states



GNC
LIVE WELL

Locations
& online
in 23
states



DESIGNER

96
stores



**URBAN
OUTFITTERS**

Select
states



SIMON

108 CBD
stores
opening
in malls

Legal
Cannabis is...

Impacting Other Industries



The Impact of the Dispensary Channel is Relevant Across ALL Consumer Industries

Rx Medications

↓ 41%



30% of U.S. adults consume cannabis to avoid Rx medications

OTC Medications

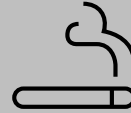
↓ 41%



24% of U.S. adults consume cannabis to avoid OTC medications

Tobacco

↓ 24%



Liquor Spirits

↓ 23%



Beer

↓ 20%



Craft Beer

↓ 19%



Wine

↓ 17%



Profitably navigate the cannabinoid market with accurate forecasts, detailed financial models and actionable insights

BDS Analytics enables clients and investors to make smarter, more profitable business decisions by providing:

- Total cannabinoid marketplace forecasts
- Analyses of growth sectors, regions and opportunities — domestic and international
- Impact evaluations of regulatory updates and emerging competition
- Visibility into top performing categories, brands and products by revenue, market shares and growth
- Valuation of capital flows, mergers and acquisitions

Featured BDS Analytics Services:



RETAIL SALES TRACKING

Know exactly which categories, brands, products and features are trending on an ongoing basis.



INDUSTRY INTELLIGENCE

Gain full insight into future trends and projections of the global cannabinoid market.



CONSUMER INSIGHTS

Maintain a comprehensive understanding of cannabis consumers, non-consumers, market sizing, segments, need states and more.

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- Instant access to all historical intelligence reports





Cannabis Industry Insights for Financial Services Clients

With BDS Analytics' expertise and insights, profitably navigating the cannabis market has never been clearer. Our suite of services and reports are most effective when utilized holistically, providing ongoing, 360 degree perspectives and forecasts of the fast-paced and evolving industry.

Subscription Options

Includes:

- SOLCM & Mid-Year Update*
- Cannabis Intelligence Briefing Series Subscription**
- Essentials Monthly Summary
- 6yr. Forecasts - States & Worldwide
- Industry Insider Monthly Webinars
- GreenEdge™ Retail Sales Tracking Platform Access**
- Category Level
- Brand Level (Choose between a single category or single state)
- Brand Level (Full access)

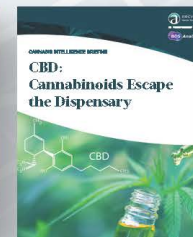
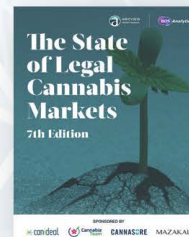
	The Investor	The Analyst	The Expert
SOLCM & Mid-Year Update*	Yes	Yes	Yes
Cannabis Intelligence Briefing Series Subscription**	Yes	Yes	Yes
Essentials Monthly Summary	Yes	Yes	Yes
6yr. Forecasts - States & Worldwide	Yes	Yes	Yes
Industry Insider Monthly Webinars	Yes	Yes	Yes
GreenEdge™ Retail Sales Tracking Platform Access			
Category Level	Yes	Yes	Yes
Brand Level (Choose between a single category or single state)		Yes	Yes
Brand Level (Full access)			Yes

*The State of Legal Cannabis Markets publication
 **Six analyst reports covering different facets of the cannabis industry

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Q & A

