2020 and 2021 CANNABIS MARKET REVIEW

Prepared for Canaccord Genuity
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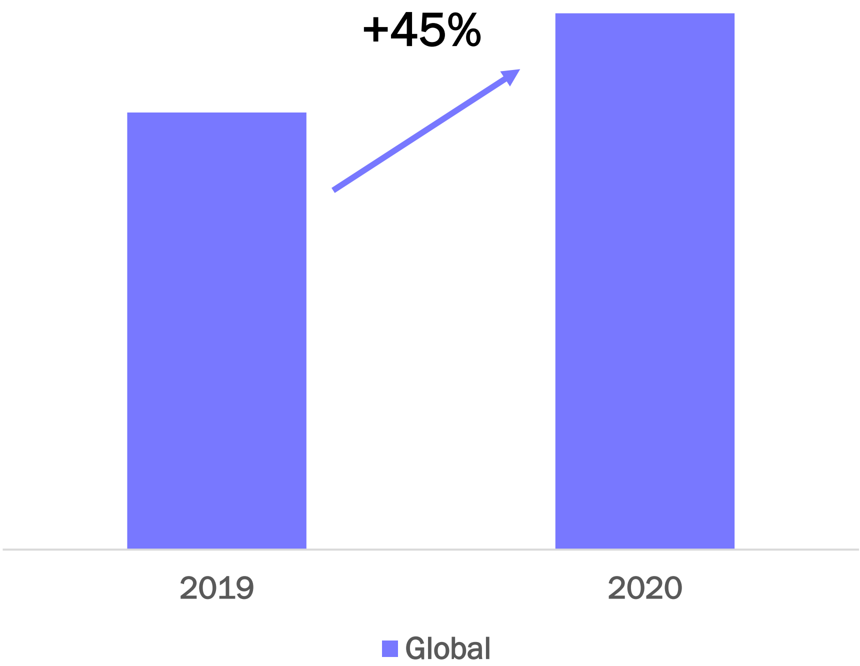
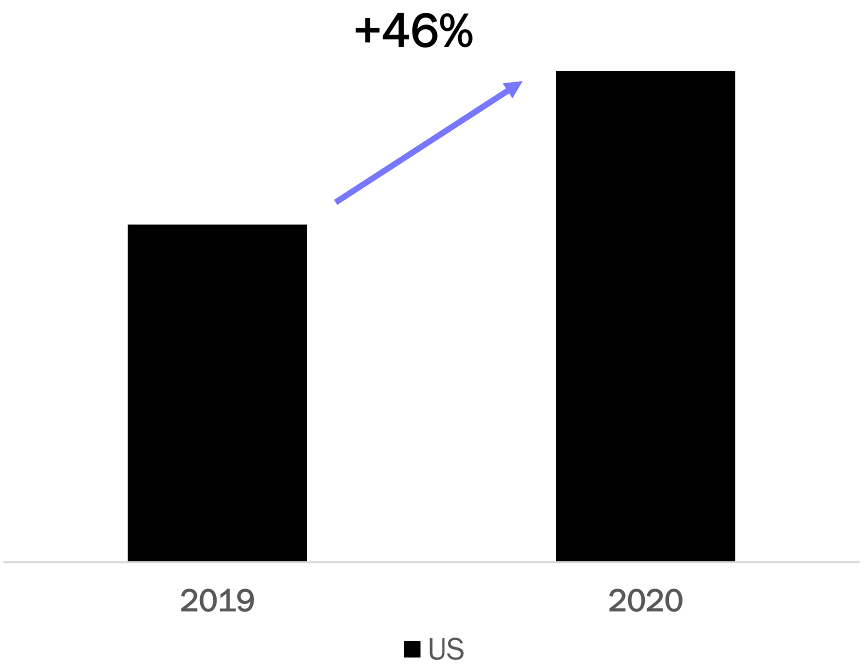
2020 FINISHED STRONG IN GLOBAL AND US MARKETS

BDSA Global Legal Cannabis
2019 vs. 2020 Sales ($)



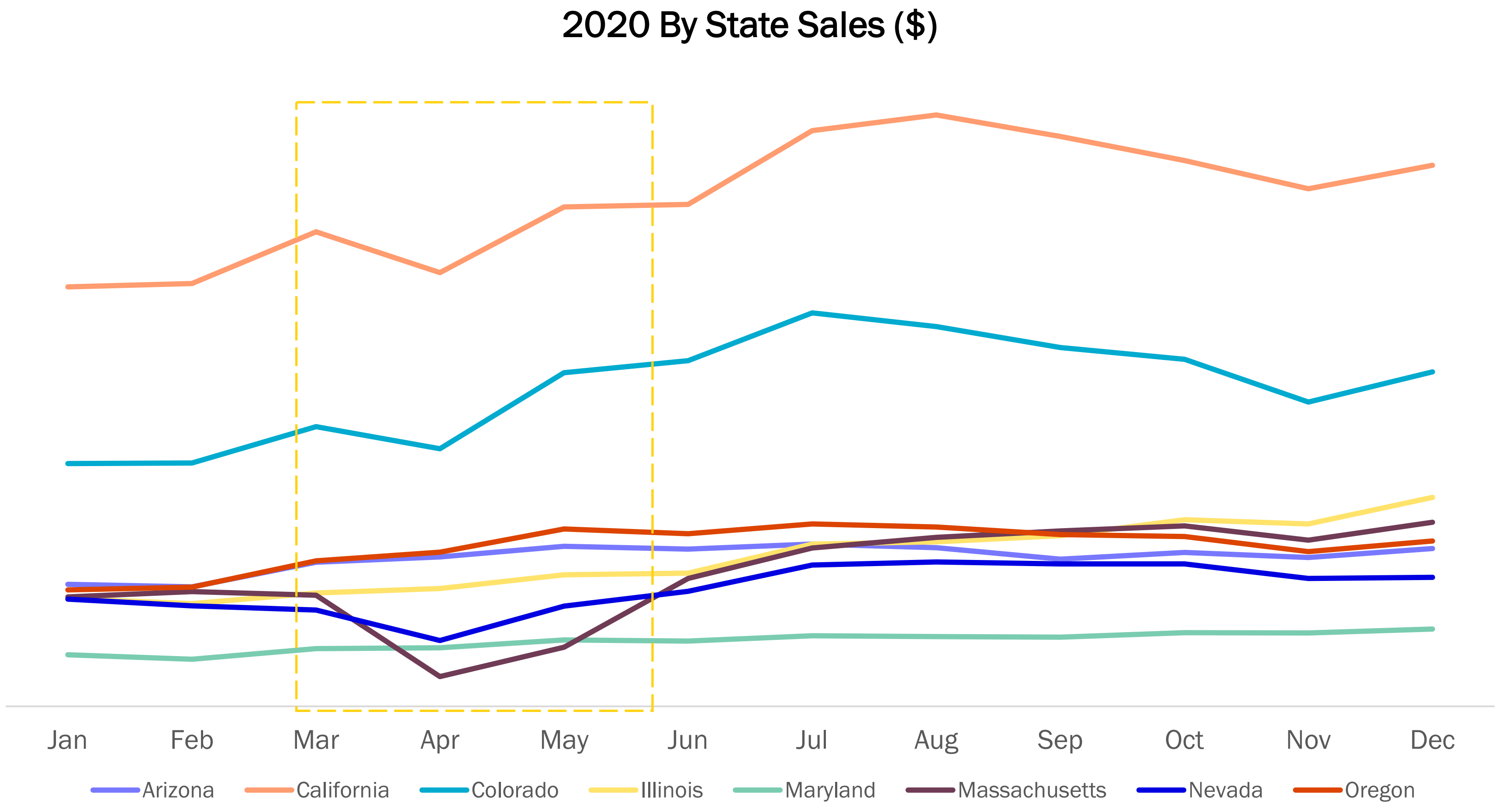
BDSA US Legal Cannabis
2019 vs. 2020 Sales ($)



Source: BDSA Forecast, as of February 2021

2020 SALES TRENDS SIMILAR ACROSS BDSA TRACKED US MARKETS

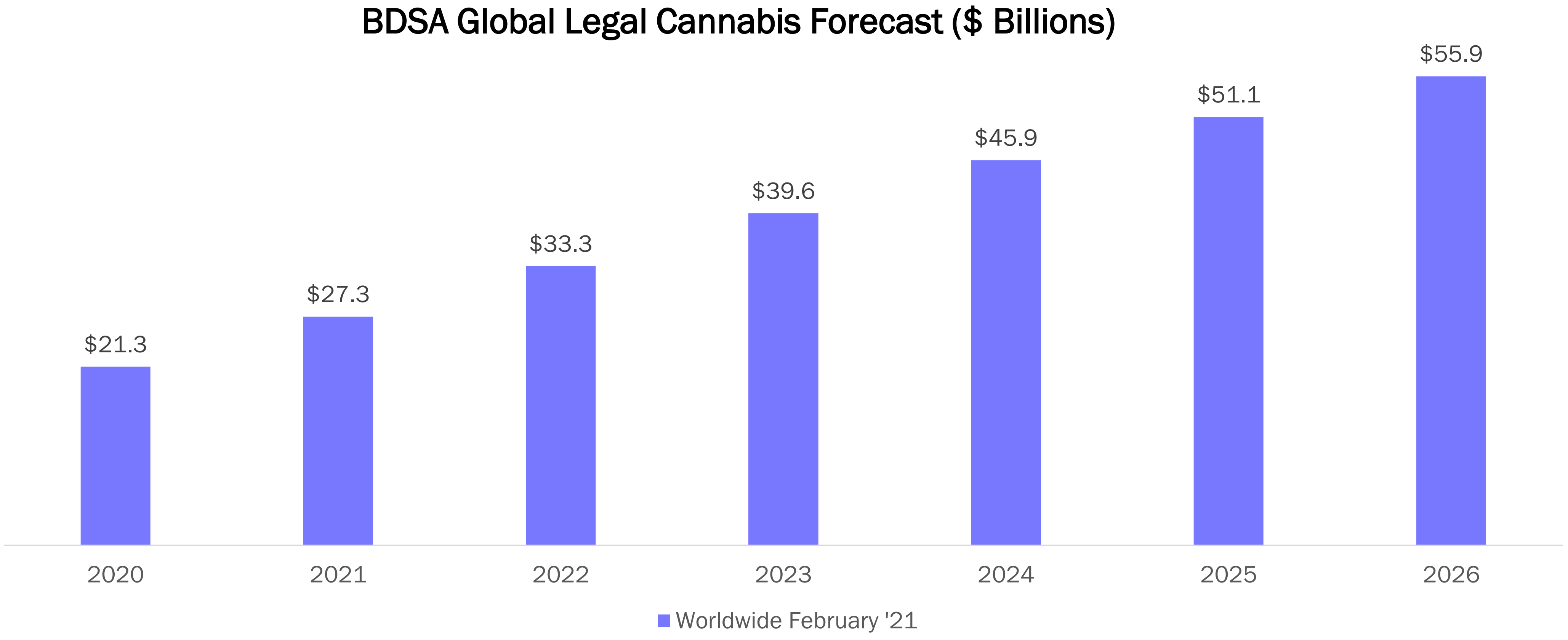
NOTABLE exceptions—*the impact of stricter COVID regulations in NV and MA and the evolution of the newly adult-use legal market in IL*



ALL BDSA Tracked US Markets experienced YoY and MoM growth in December 2020

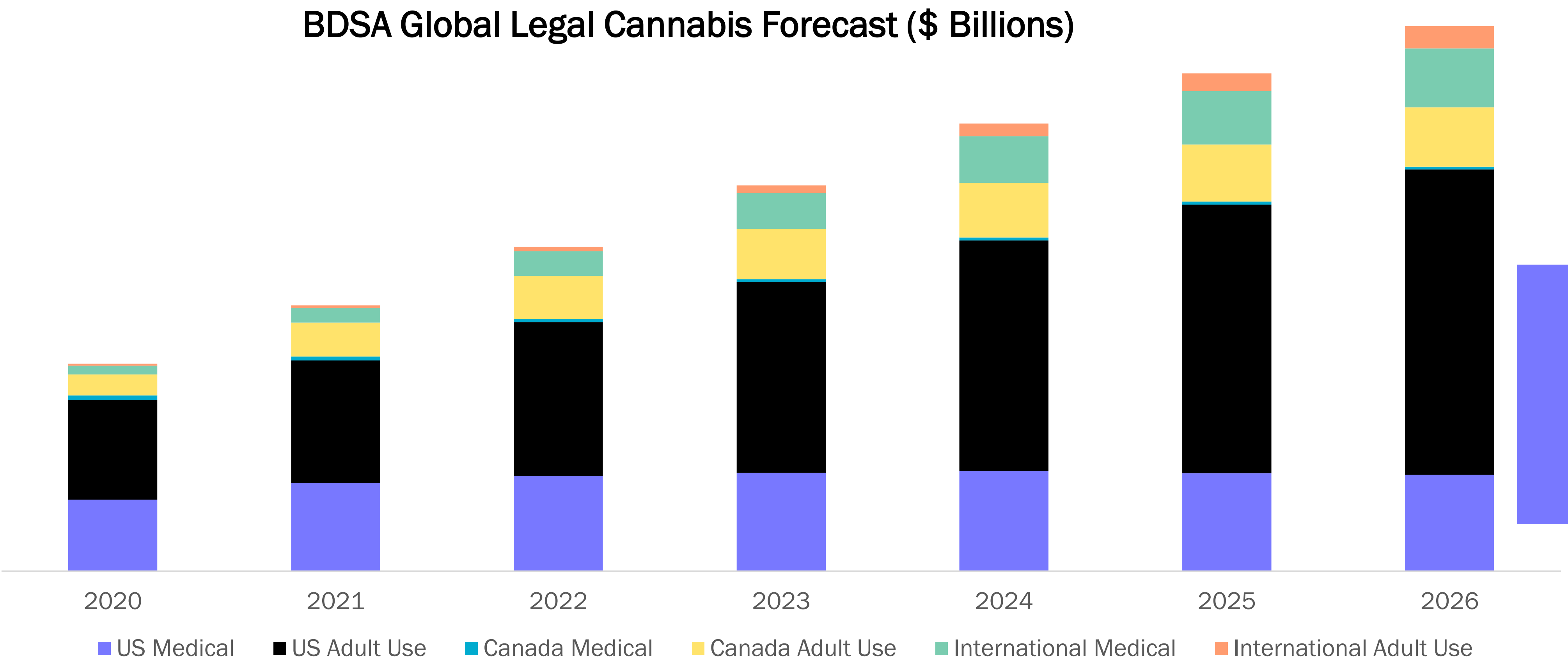
Source: BDSA US Retail Sales Tracking,

BDSA PREDICTS A $56B LEGAL CANNABIS MARKET IN 2026



Source: BDSA Forecast, as of February 2021

THE US REMAINS THE LARGEST LEGAL MARKET—DRIVEN BY ADULT-USE

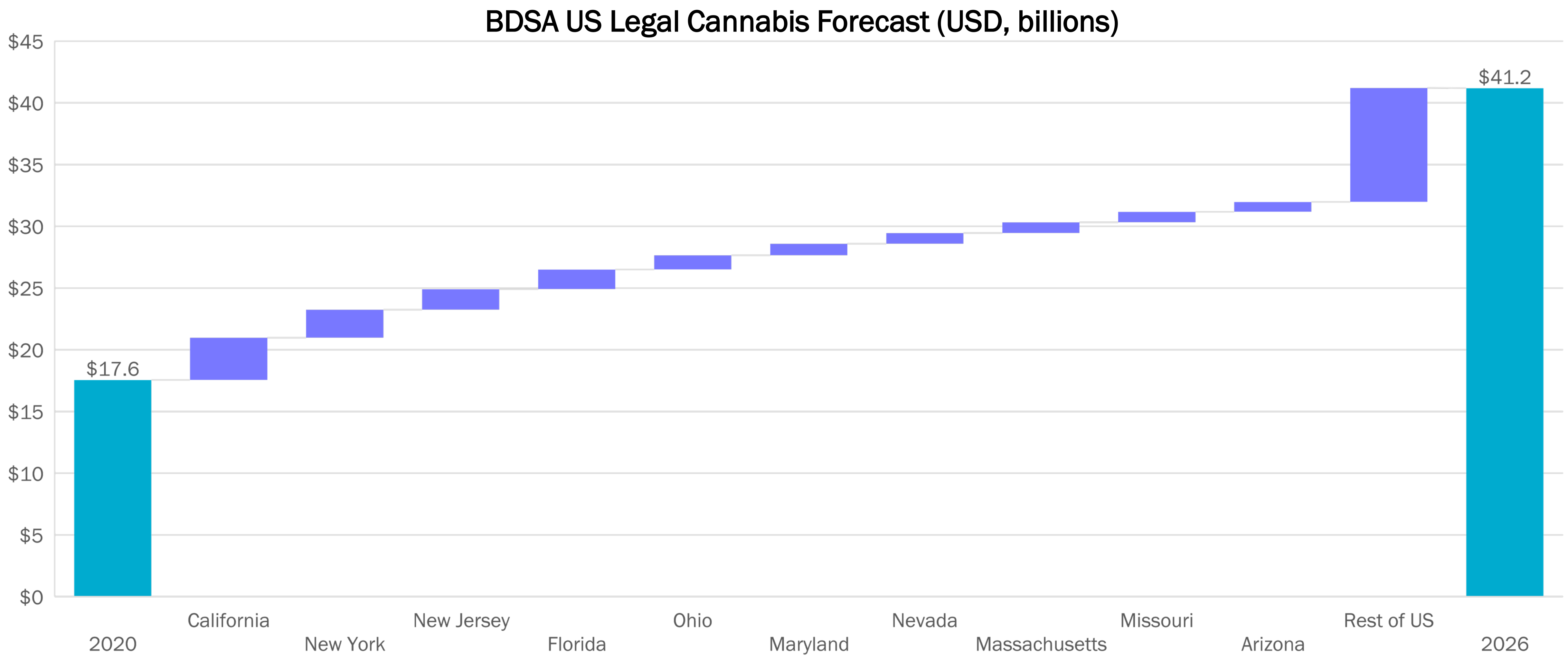


BDSA Top 2026 Markets:

1. California
2. Canada
3. Colorado
4. Mexico
5. Florida
6. New York

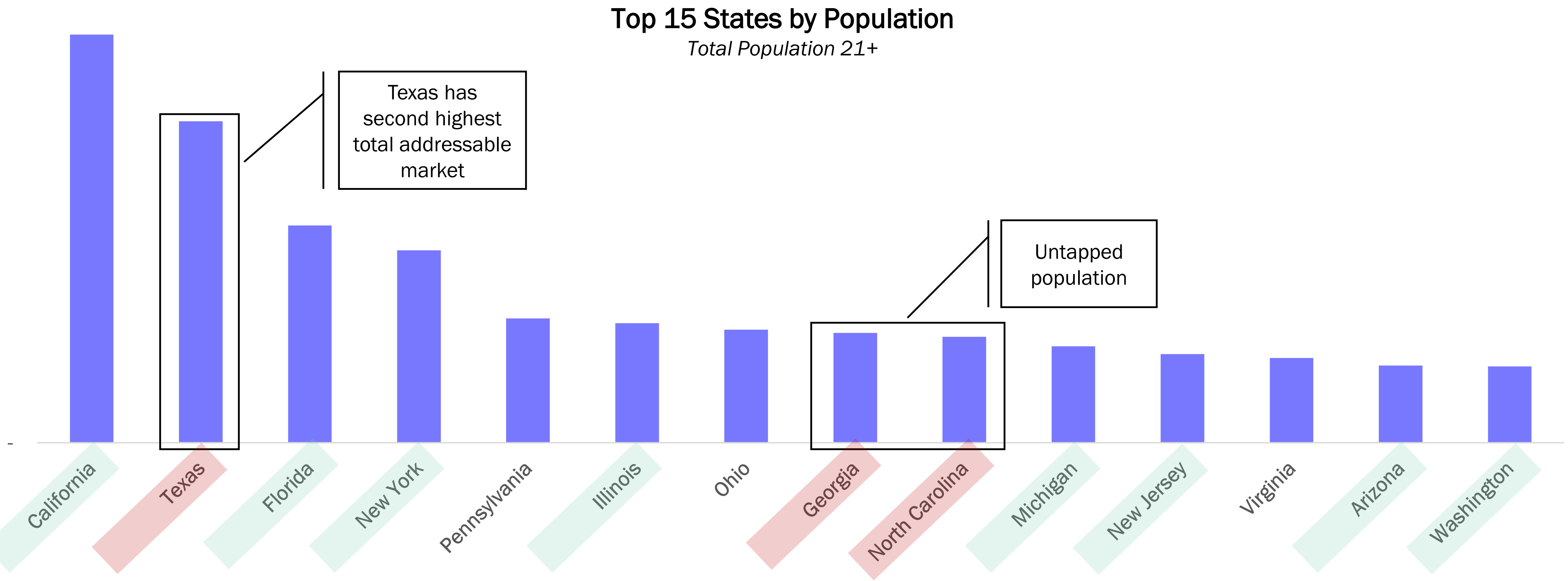
Source: BDSA Forecast, as of February 2021

TOP TEN US CONTRIBUTORS TO GROWTH (IN BILLIONS)



Source: BDSA Forecast, as of February 2021

WHAT IF REGULATION WASN'T A FACTOR?

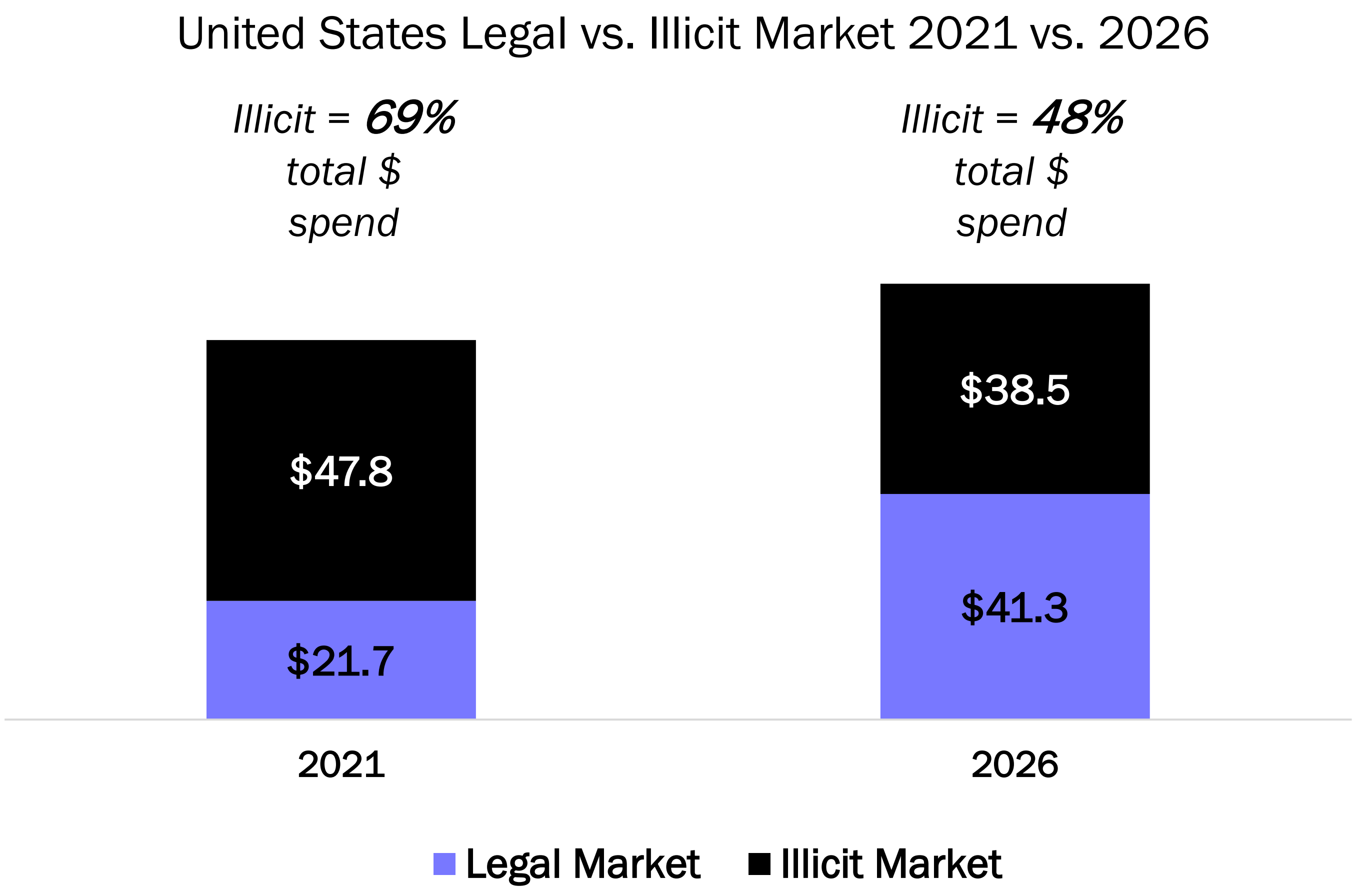


Source: BDSA Forecast, as of February 2021

Top 10 state by 2026

Regulation hindering growth

THE CONTRIBUTION FROM LEGAL AND ILLICIT MARKETS WILL CONTINUE TO SHIFT, BUT ILLICIT MARKET WILL CONTINUE



DIFFERENT ILLICIT % DOLLAR SALES BY STATE

Colorado 2021: 25%

Nevada 2021: ~50%

California 2021: ~70%

Source: BDSA Forecast, as of February 2021

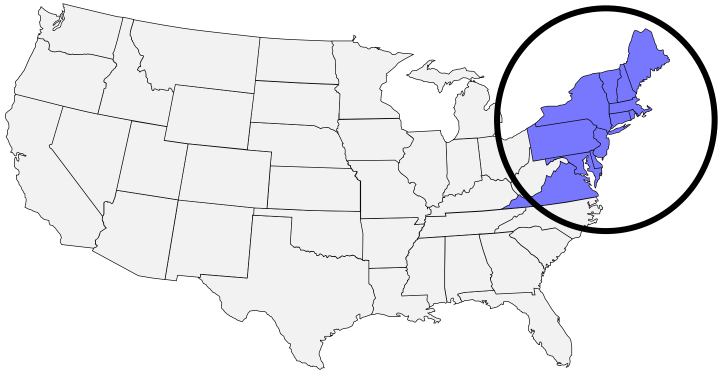
NEW LEGISLATION

		PRE-ELECTION	POST-ELECTION	EXPECTED AVAILABILITY
	**Arizona**	Medical Only	+Adult-Use	2021
	**New Jersey**	Medical Only	+Adult-Use	2022
	**Montana**	Medical Only	+Adult Use	2022
	**South Dakota**	None	+Both Adult Use and Medical	2022
	**Mississippi**	None	+Medical	2022

Source: BDSA

NEW LEGISLATION

New Jersey: Gateway to NE



TOP-15 BDSA MARKETS BY 2026

Massachusetts
New York
Maryland
New Jersey
Pennsylvania

Additional +16% adult-use population with full Northeast seaboard

Decreased Opposition with COVID-19 Economic Challenges

EXAMPLE: PENNSYLVANIA

"As our neighbors move toward legalizing recreational marijuana, we cannot afford to be left behind" – PA Gov. Tom Wolf (D) Feb 2021

Source: BDSA

SPEED TO MARKET

OBSERVED RANGE OF TIMING *(Pre 2021)*

Fastest: ~6 months — *Slowest: ~3 Years*

Illinois — **Michigan** — **Massachusetts** — **Ohio**

What dictates timing?

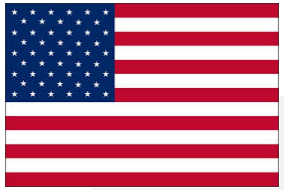
1. Alignment of state government
2. Retail development
3. Production capacity vs. demand

!

ARIZONA OFFICIALLY THE NEW FASTEST STATE TO OPEN ADULT USE:
~60 days from election

Source: BDSA

WHAT ABOUT FEDERAL LEGALIZATION?



BDSA PREDICTS FEDERAL LEGALIZATION

2022

BUT...

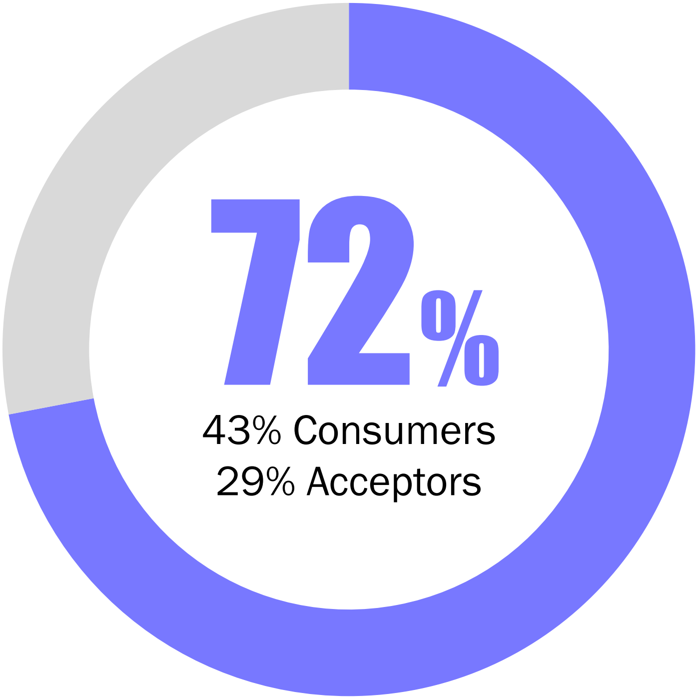
... Expect state-by-state roll out

- **States prohibiting the legalization of cannabis (ex: Idaho)**
- **Legal States wanting to keep revenue in-house**
- **How will regulation be handled: Texas, Georgia, North Carolina, Virginia, Tennessee**

Source: BDSA

ADDRESSABLE MARKET STARTS WITH CONSUMER (SHOPPER) INSIGHT

IN FULLY LEGAL STATES, ~75% OF ADULTS ARE "BOUGHT IN" TO CONSUMING

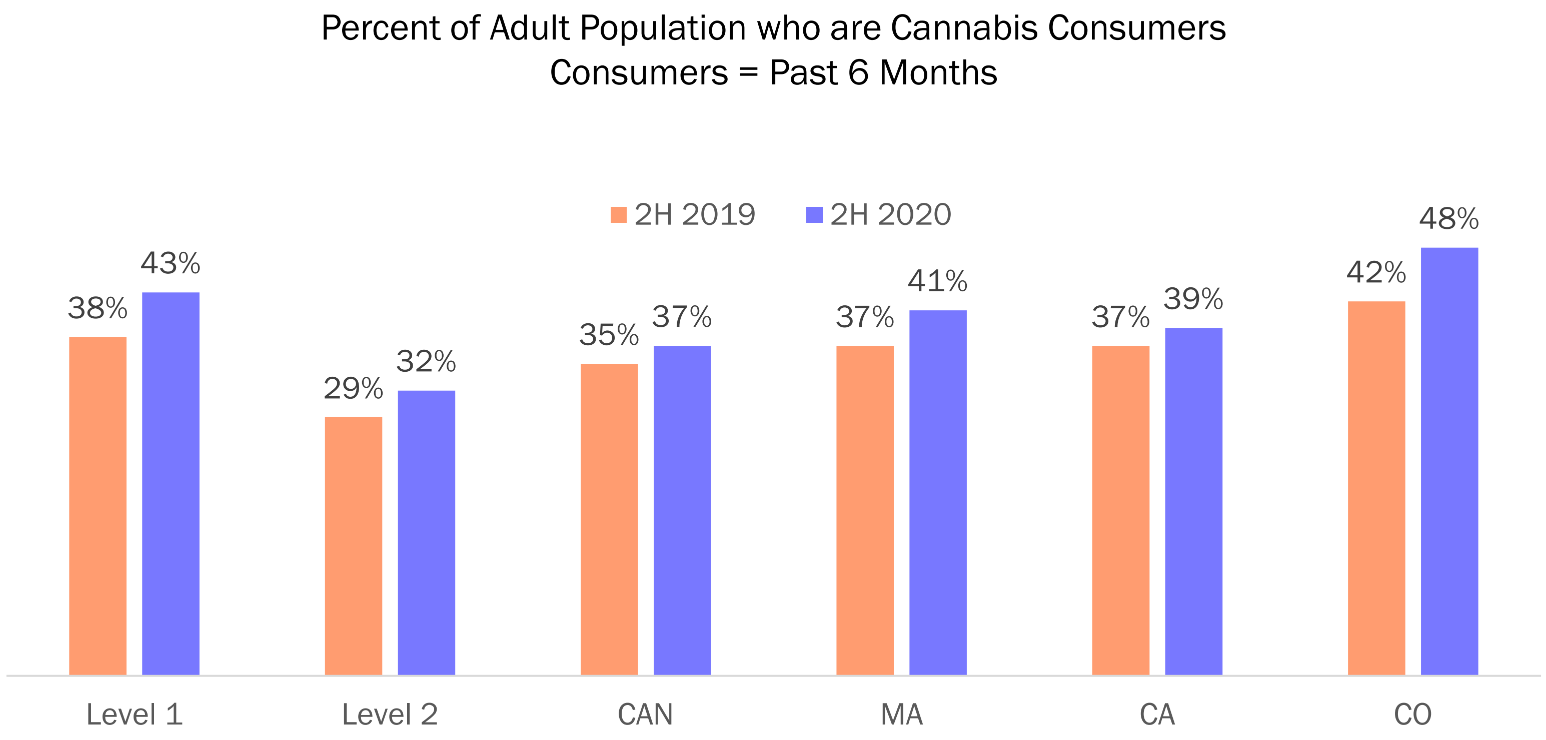


...of adults 21+ in fully legal U.S. states consume cannabis or are open to consuming cannabis

28% are **Rejecters**
(would not consider in the future)

Source: BDSA Consumer Research: Q4 2020 U.S. Adults 21+ in Legal Level 1 States

THE CONSUMER POPULATION, EVEN IN MATURE MARKETS, GREW IN 2020



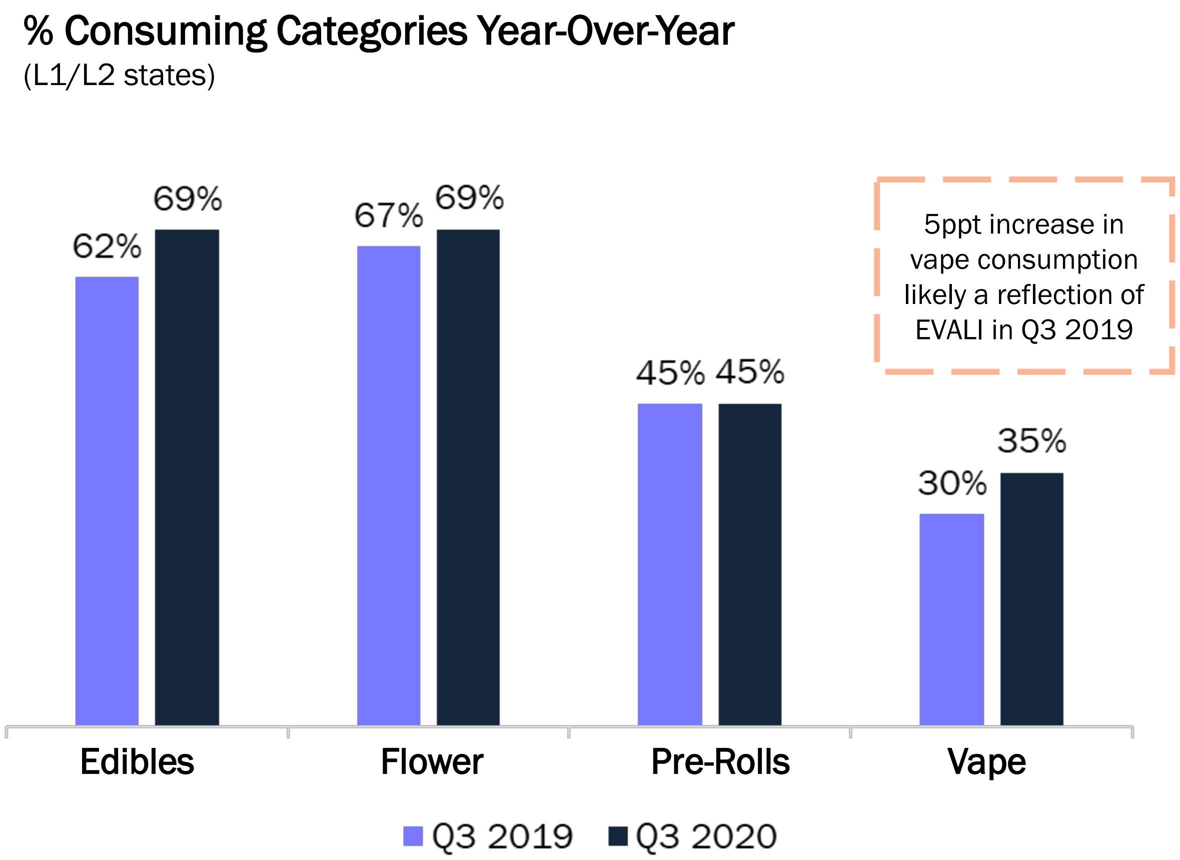
IMPORTANT BDSA CONSUMER INSIGHTS TERMINOLOGY:

Consumer:	Adult who has consumed cannabis in the past 6 months
Level 1:	Aggregate of fully legal adult-use states
Level 2:	Aggregate of medically legal states

Source: BDSA Trending Consumer Insights, 2H 2019-2H 2020

SHARE OF CONSUMERS IN LEGAL MARKETS HAS INCREASED YOY

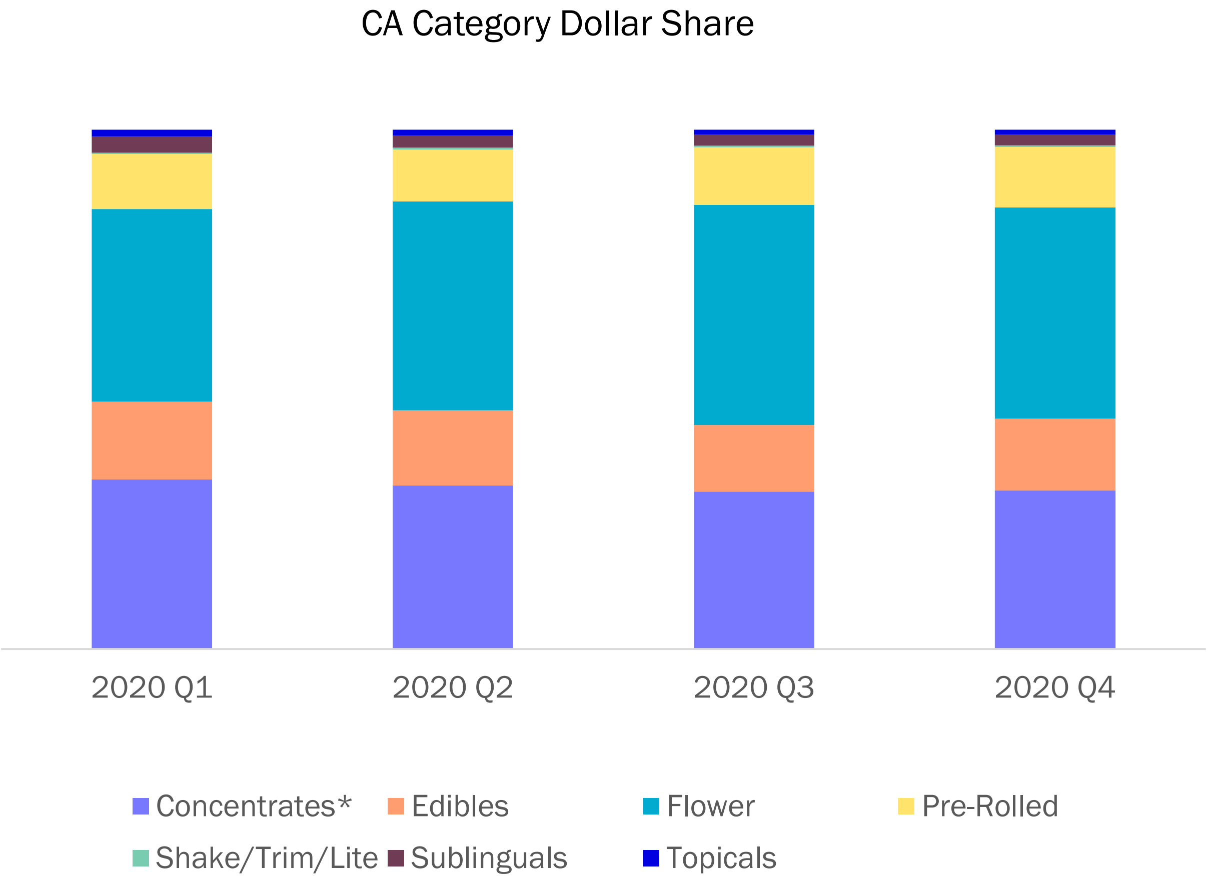
As the proportion of non-consumers decreases, consumption is up slightly across categories

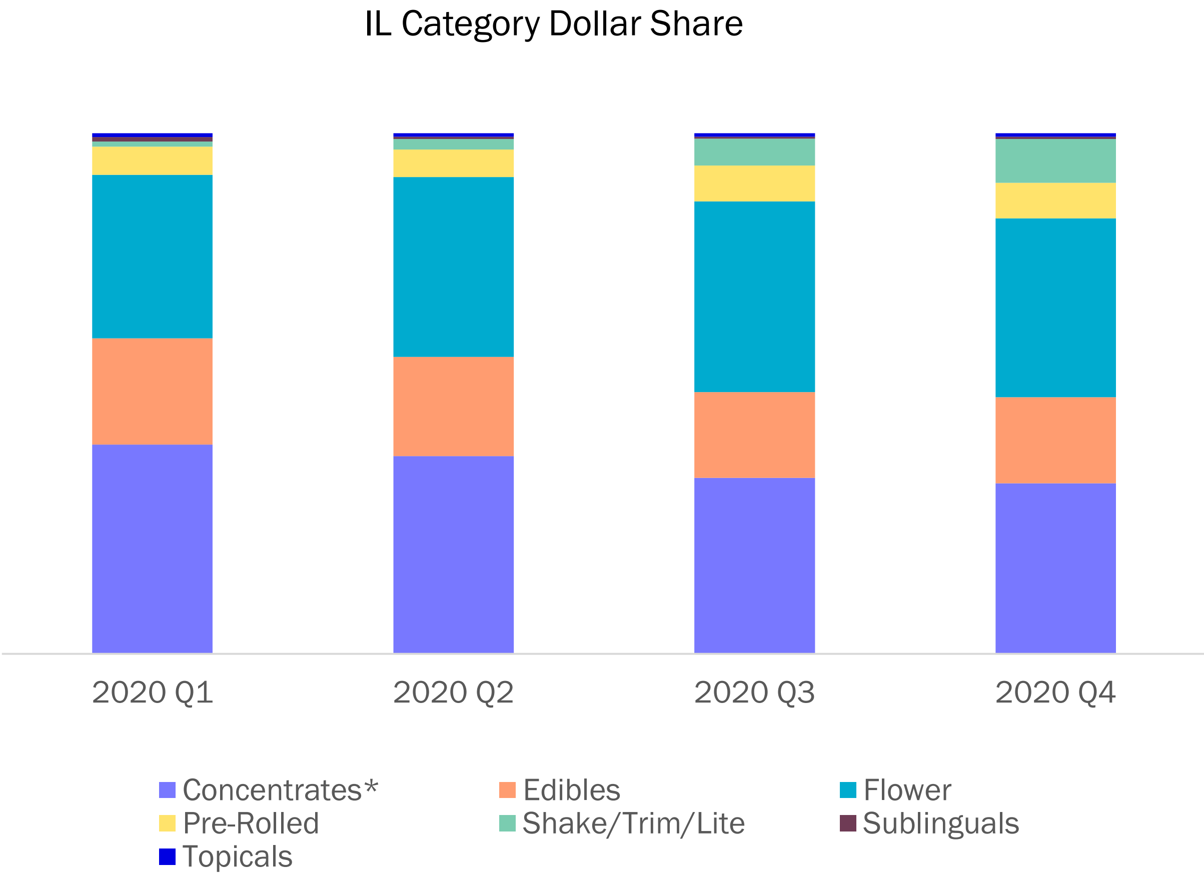


Source: BSDA Consumer Insights, Q3 2019, Q1 2020, Q3 2020

CATEGORY DOLLAR SHARE STEADY IN MARKETS LIKE CA—NEWER MARKETS SAW MORE SHIFTS IN 2020

Flower did see growth as a result of COVID-19 impacts





*Note: Concentrates inclusive of Vape and Dabbable Concentrates

Source: BDSA US Retail Sales Tracking

VERTICAL/RETAILER DOMINANCE

Store brands (unbranded) <u>OR</u> brands associated with a vertically-integrated retailer or MSO have dominance – especially in less-mature markets

Flower Brand Distribution by Market: Jan-Nov 2020

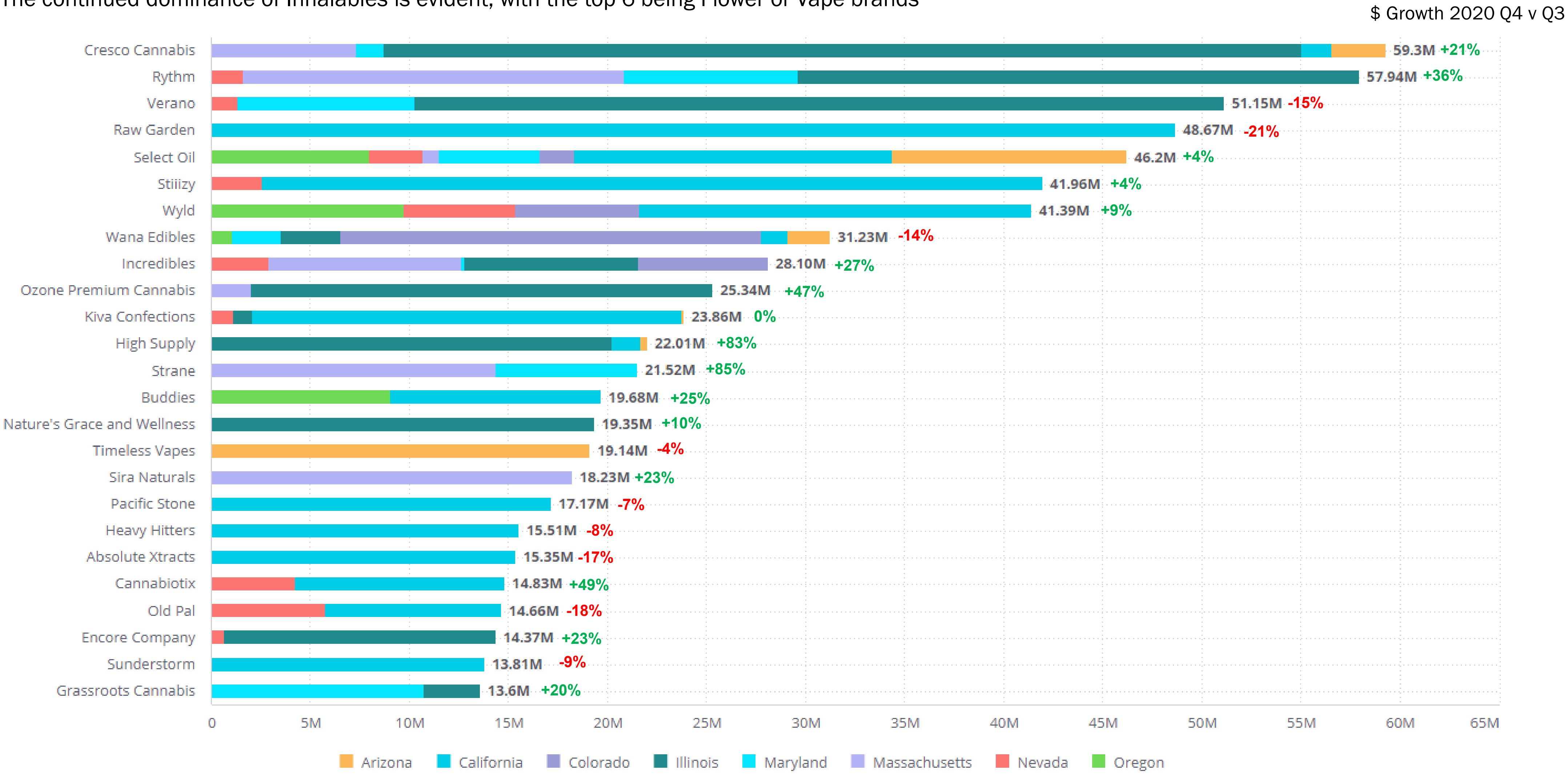
Market	Size of Market (Indexed to CA)	Total # of Brands	% Sales Branded	% Sales Unbranded (Store Brand, Not Wholesaled)	OF BRANDED: # of Top 5 that are MSO/Vertical Brands
AZ	29	96	53%	47%	2
CA	100	571	75%	25%	1
IL	30	19	79%	21%	4
MD	13	22	83%	17%	4
MA	26	27	20%	80%	5
NV	23	98	61%	39%	2
OR	31	529	47%	53%	2

Source: BDSA US Retail Sales Tracking

Younger markets show denser brand concentration given MSO and Vertical presence, while Western (and more mature) markets are more fragmented

BDSA US TOP BRANDS: Q4 2020

- The vertically integrated nature of Illinois (and other markets) cannot be ignored when assessing brand strength and dominance across BDSA tracked markets
- Further, the size of CA (#4 Raw Gardens, #6 Stiiizy), the largest global legal cannabis market, can drive strength for focused brands
- The continued dominance of Inhalables is evident, with the top 6 being Flower or Vape brands



Source: BDSA Retail Sales Tracking through December 2020

BDSA

IT’S A NEW GAME

WHAT DOES THAT MEAN FOR YOUR BUSINESS?