



CALIFORNIA CANNABIS MARKET REVIEW

*Prepared for Canaccord Genuity
January 2021*

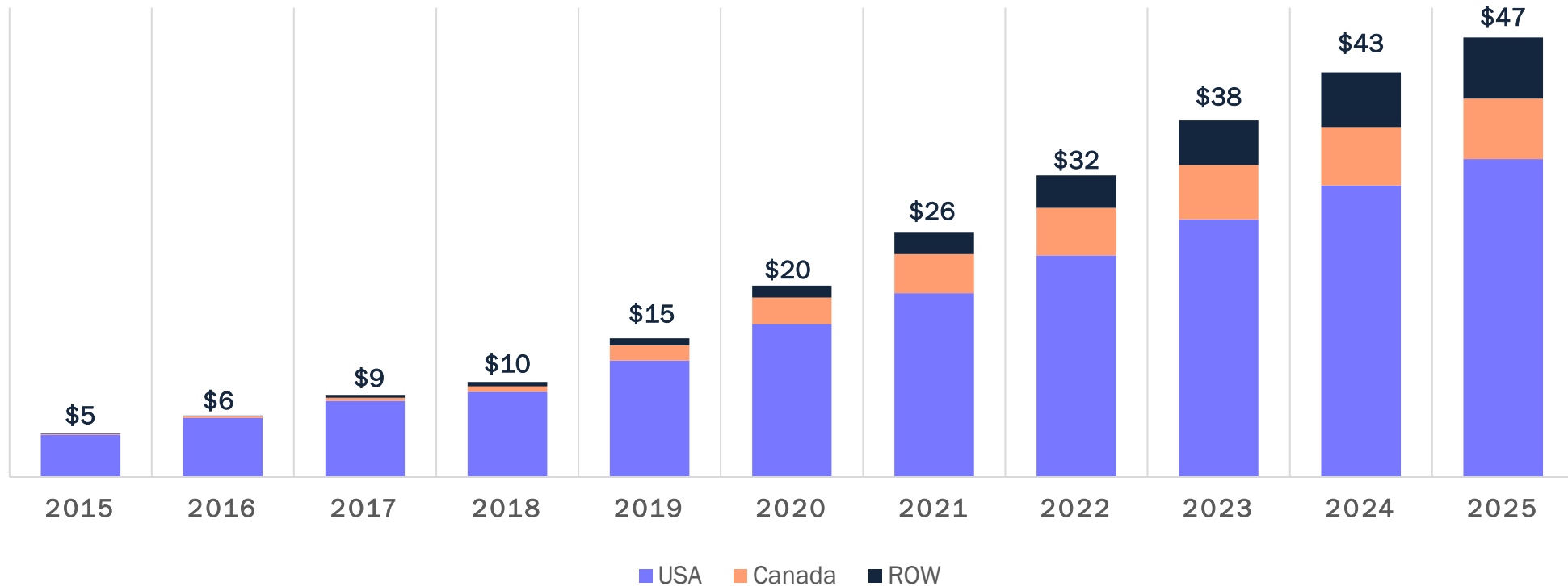
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CEO

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BOOMING LEGAL GLOBAL MARKET DRIVEN BY US AND CANADA

BDSA forecasts a global \$47B market in 2025

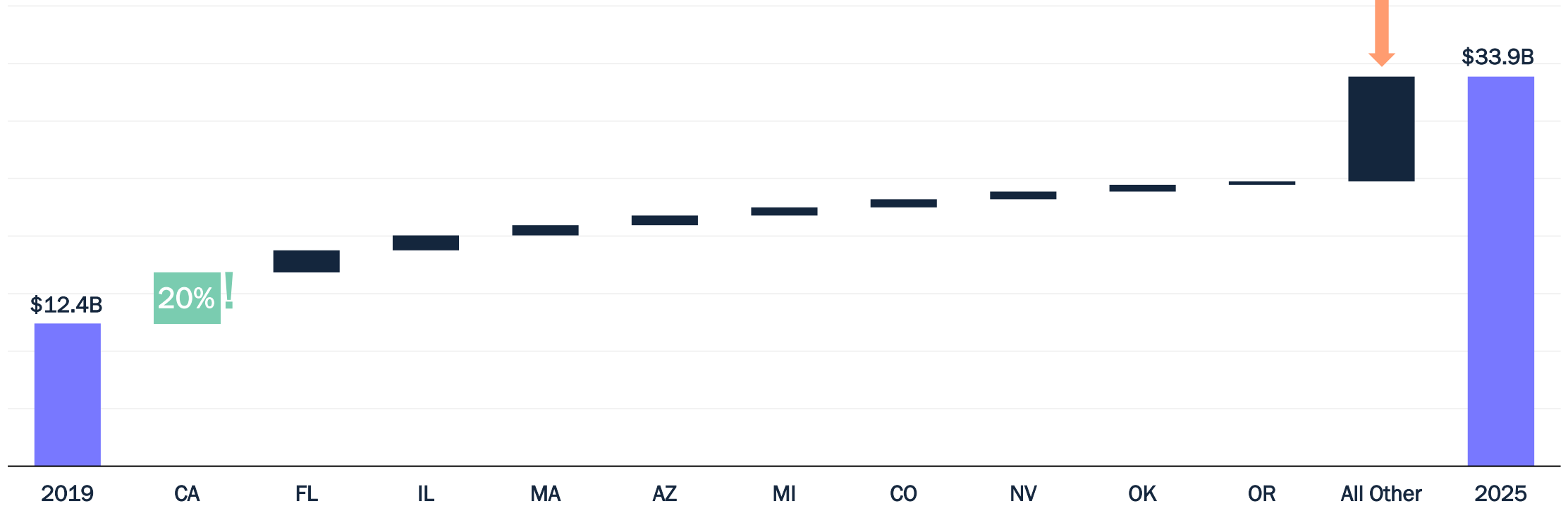
Global Legal Regulated Cannabis Spending By Region: Medical + Adult-Use
(\$USD Billions)



Source: BDSA & Arcview Market Research, July 2020

CALIFORNIA WILL CONTINUE TO DRIVE U.S. LEGAL SALES GROWTH

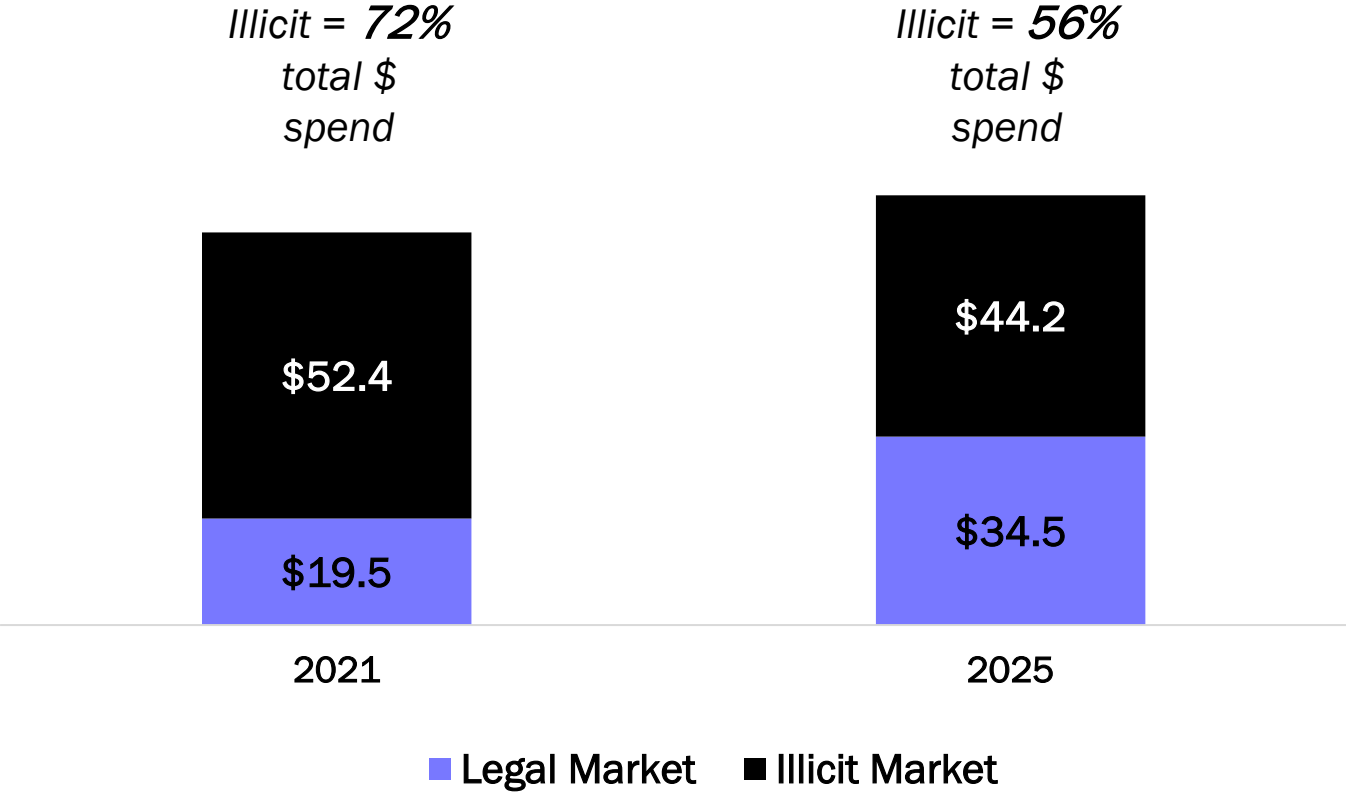
Top 10 Legal Regulated Cannabis Spending By State: Medical + Adult-Use
(\$USD Billions)



Source: BDSA & Arcview Market Research, July 2020

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

United States Legal vs. Illicit Market 2021 vs. 2025



CHANGE FROM 2021 to 2025

-15%
Illicit Market

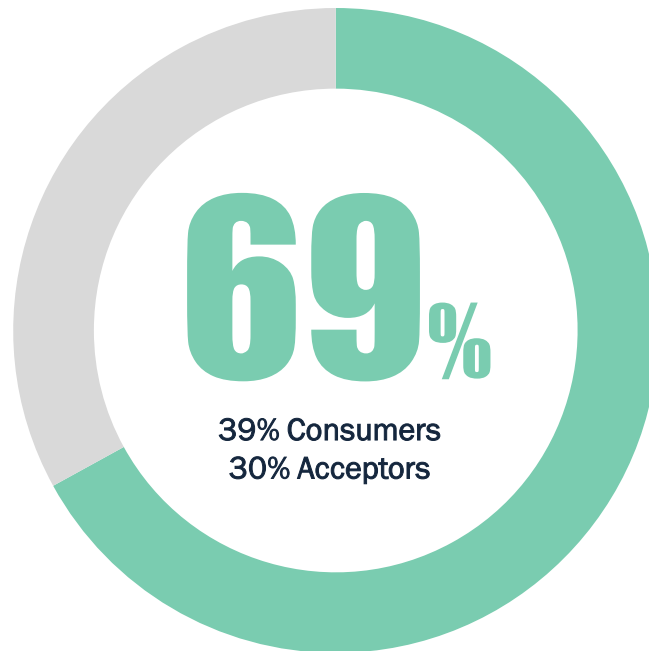
+76%
Legal Market

Source: BDSA & Arcview Market Research, July 2020

ADDRESSABLE MARKET STARTS WITH CONSUMER (SHOPPER) INSIGHT

MARIJUANA ACCEPTANCE IN CALIFORNIA IS 'MAINSTREAM' AND GROWING

There are Consumers, Acceptors and Rejecters™ of Cannabis



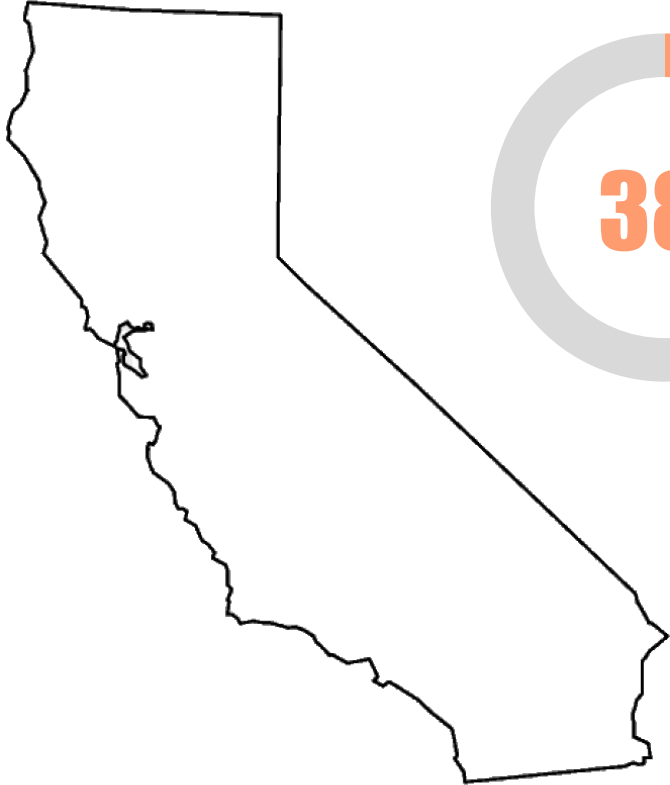
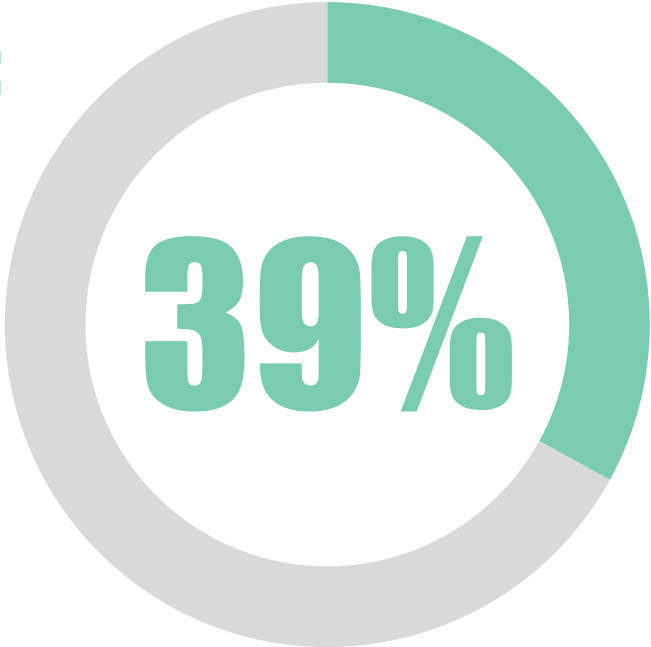
...of adults 21+ in CALIFORNIA
Consume Cannabis or are Open
to Consuming Cannabis

31% *are Rejecters*
(would not consider in the future)

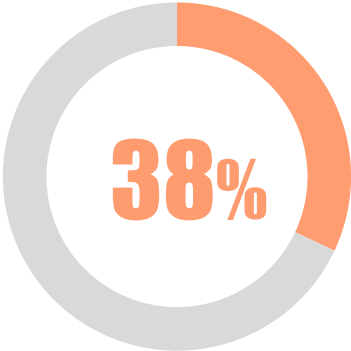
Source: BDSA Consumer Research: Q4 2020 California Adults 21+

CONSUMER PENETRATION SIMILAR IN NOR-CAL AND SO-CAL; UP 20% SINCE Q1 2020

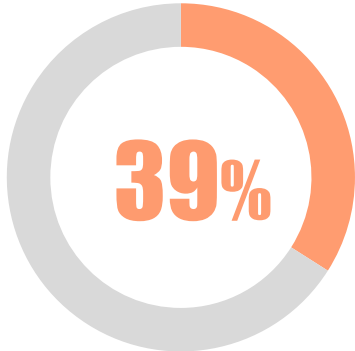
Total CA:



Nor-Cal



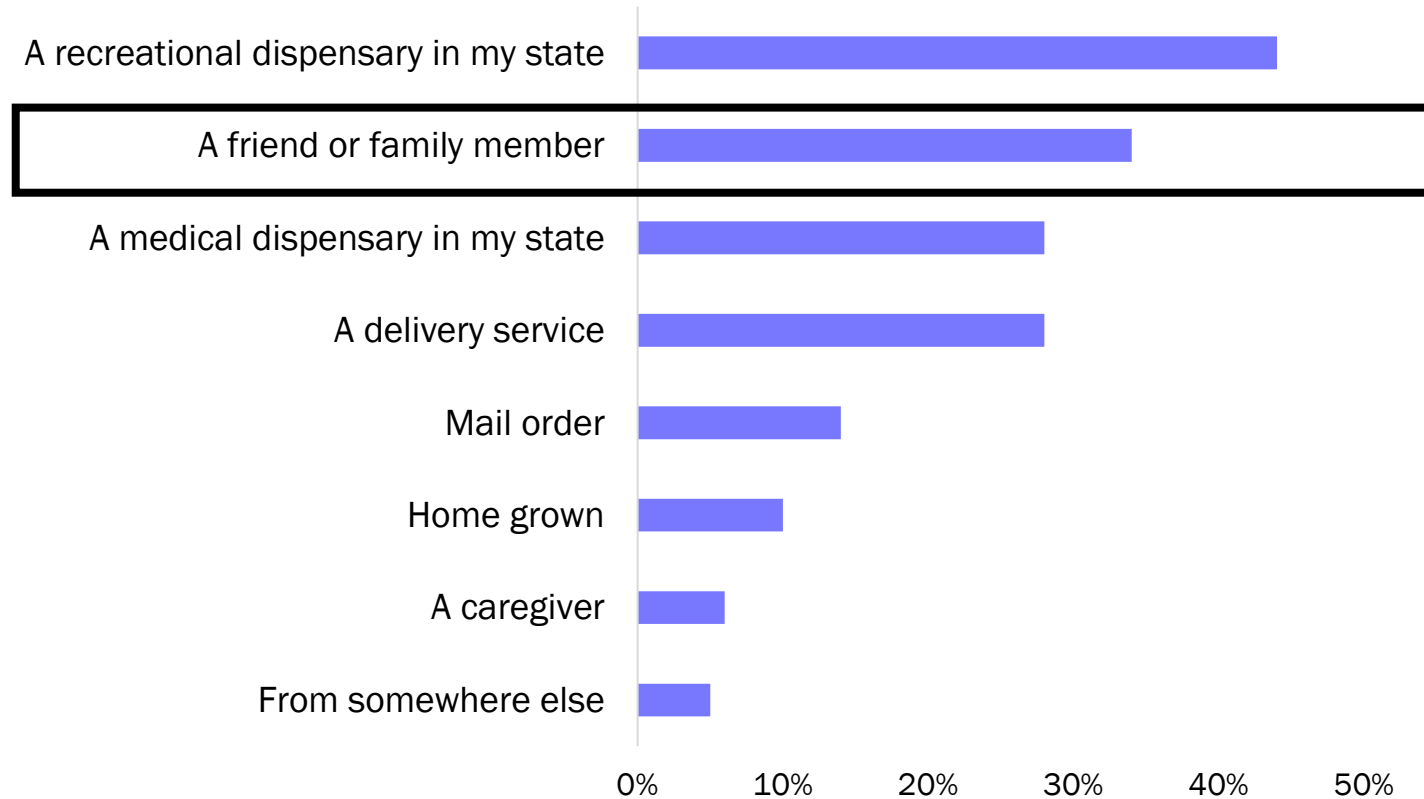
So-Cal



Source: BDSA Consumer Research: Q4 2020 California Adults 21+

DESPITE FULL LEGALIZATION, CONSUMERS STILL GAIN ACCESS VIA 'ALTERNATE CHANNELS'

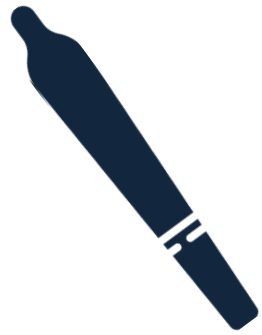
WHERE HAVE YOU OBTAINED MARIJUANA *(in the past 6 months)*
Among California Consumers



Source: BDSA Consumer Research: Q4 2020 California Adults 21+

OVERALL, CALIFORNIA CONSUMERS STILL PREFER INHALABLES, BUT EDIBLES ON THE RISE

California Consumer Preference Q4 2020



48%

Inhalables



-20%

Vs. Q1 2020



39%

Edibles



+30%

Vs. Q1 2020



13%

Topicals

Source: BDSA Consumer Research: Q4 2020 California Adults 21+

CROSS-CONSUMPTION IS VERY COMMON IN CALIFORNIA OF EDIBLES CONSUMERS...

Among Edibles Consumers...



63%

... also consume Inhalables



55%

... also use topicals

Source: BDSA Consumer Research: Q4 2020 California Adults 21+

CA CONSUMERS SEEK DIFFERENT BENEFITS BY PRODUCT FORMAT

Top 3 PRIMARY REASONS FOR CONSUMPTION...

**RELAX /
BE MELLOW**



#1 reported benefit of consumption for **Inhalable** consumers

**RELIEVE
PAIN**



#1 reported benefit of consumption for **Topical** consumers

**SLEEP
BETTER**

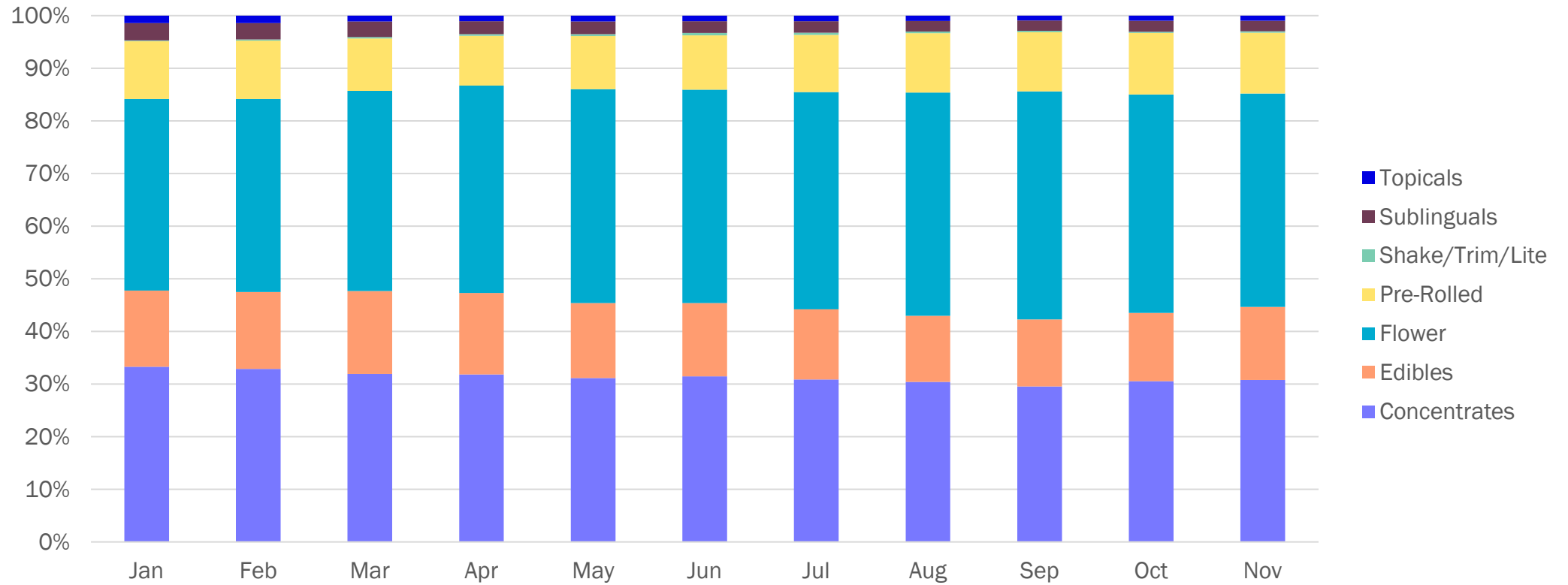


#1 reported benefit of consumption for **Edible** consumers

Source: BDSA Consumer Research: Q4 2020 California Adults 21+

SO INHALEABLES IS HOLDING ON TO SHARE AS THE MARKET EXPANDS

2020 California Category Mix, Dollars



Source: BDSA Retail Sales Tracking, California Dollar Sales

BRAND DOMINANCE VARIES BY CATEGORY



INHALABLES

INGESTIBLES

TOPICALS

Total Number of
Brands 2020

780+

275+

75+

Brands making
up 80% \$

100

23

9

Top 5 Brand %
Share

21%

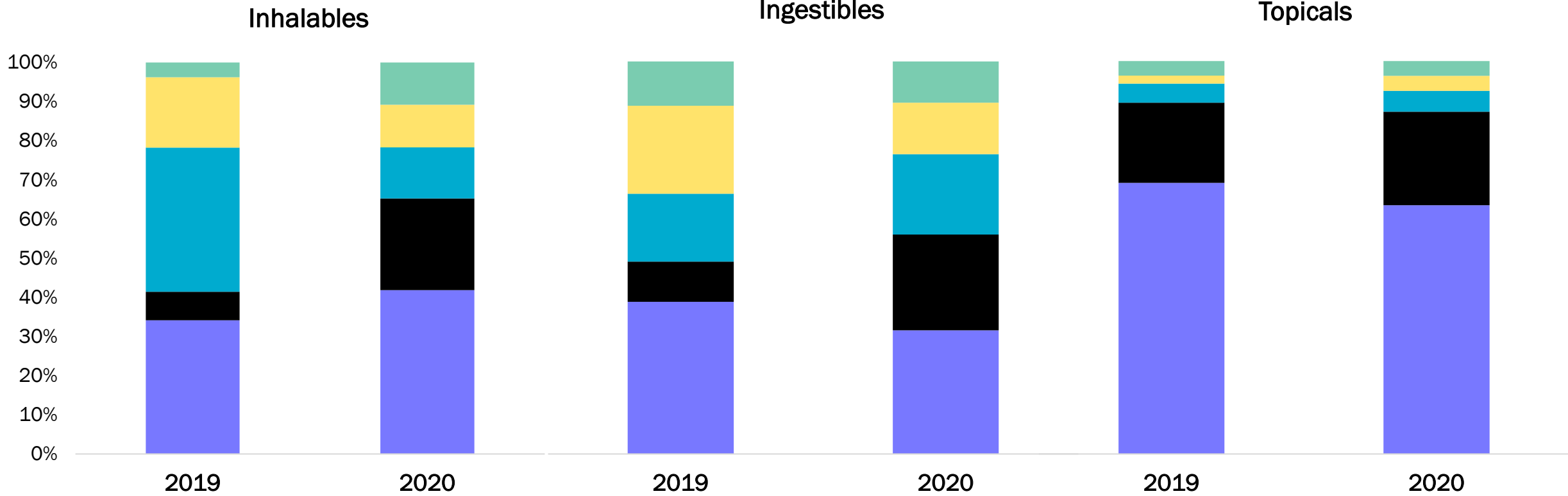
47%

72%

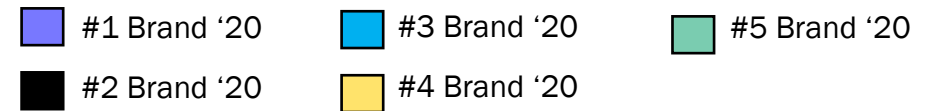
Source: BDSA Retail Sales Tracking, California Dollar Sales

NEW PLAYERS EMERGING AS WINNERS IN 2020

2019 vs. 2020 Brand Shifts- Top 5 Brands

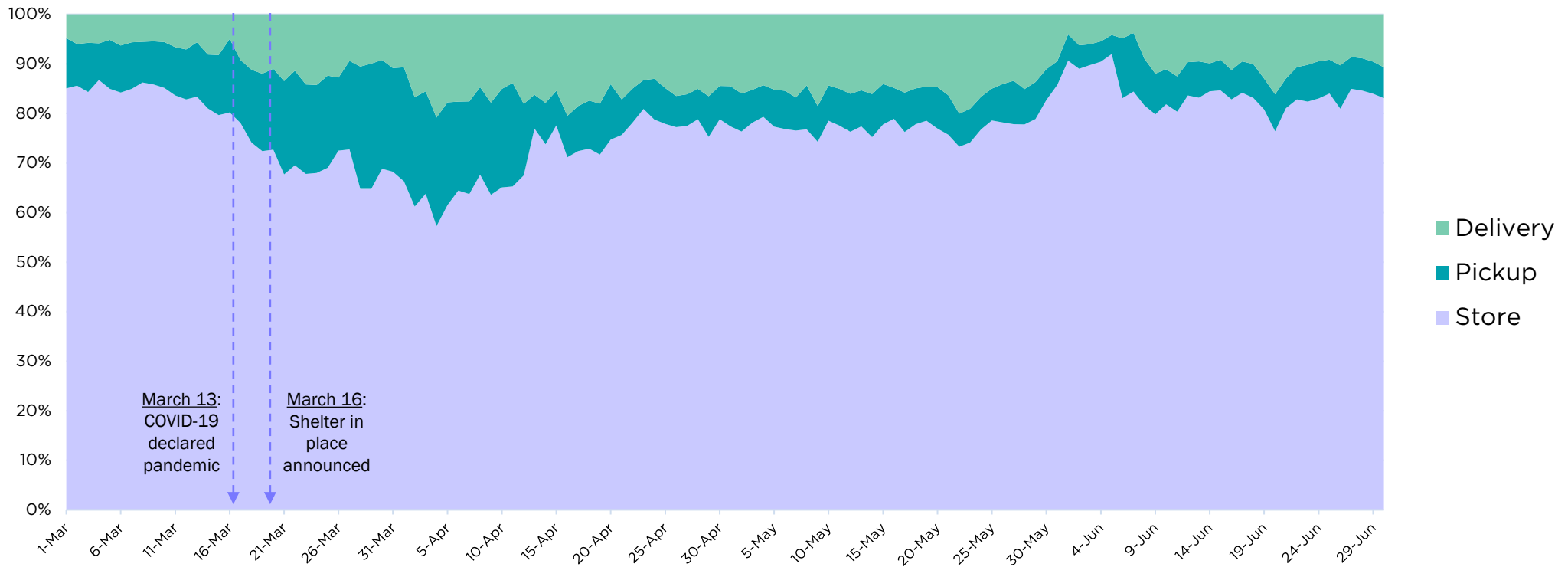


Source: BDSA Retail Sales Tracking, California Dollar Sales



DELIVERY & PICKUP BOOMED DURING COVID...

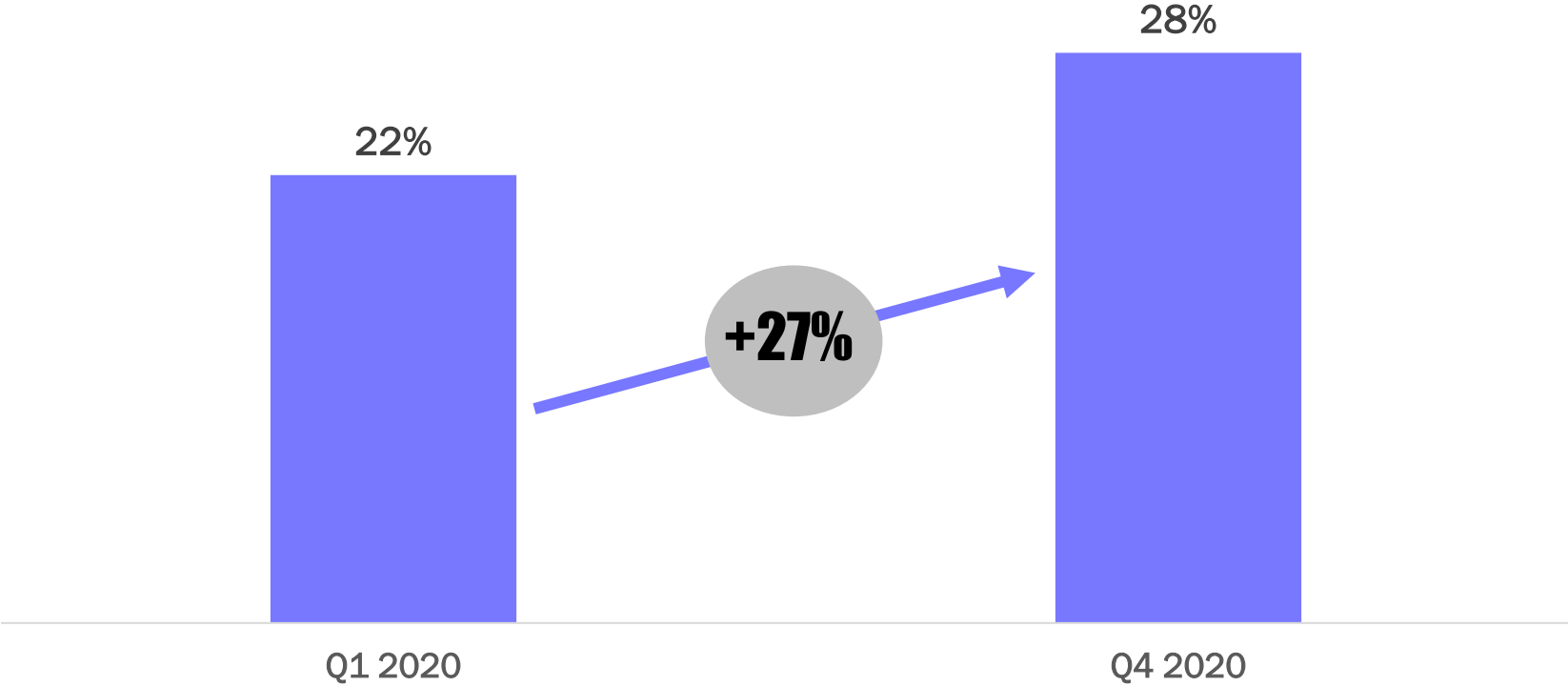
CA - same store - Sales Contribution by Fulfillment Type



Source: BDSA Retail Sales Tracking, California Dollar Sales

... BUT DELIVERY ESPECIALLY IS LIKELY TO STICK

% Consumers Who Claim to Purchase Cannabis via Delivery Service
(Among California Consumers Age 21+)



Source: BDSA Consumer Research: Q4 2020 California Adults 21+



IT'S A NEW GAME

**WHAT DOES THAT MEAN FOR
YOUR BUSINESS?**