



# **BDSA LEGAL CANNABIS FORECAST FEBRUARY 2022 UPDATE**

**Northeastern US Markets will be major players as  
Adult-use continues to drive Global growth.**

March 2022

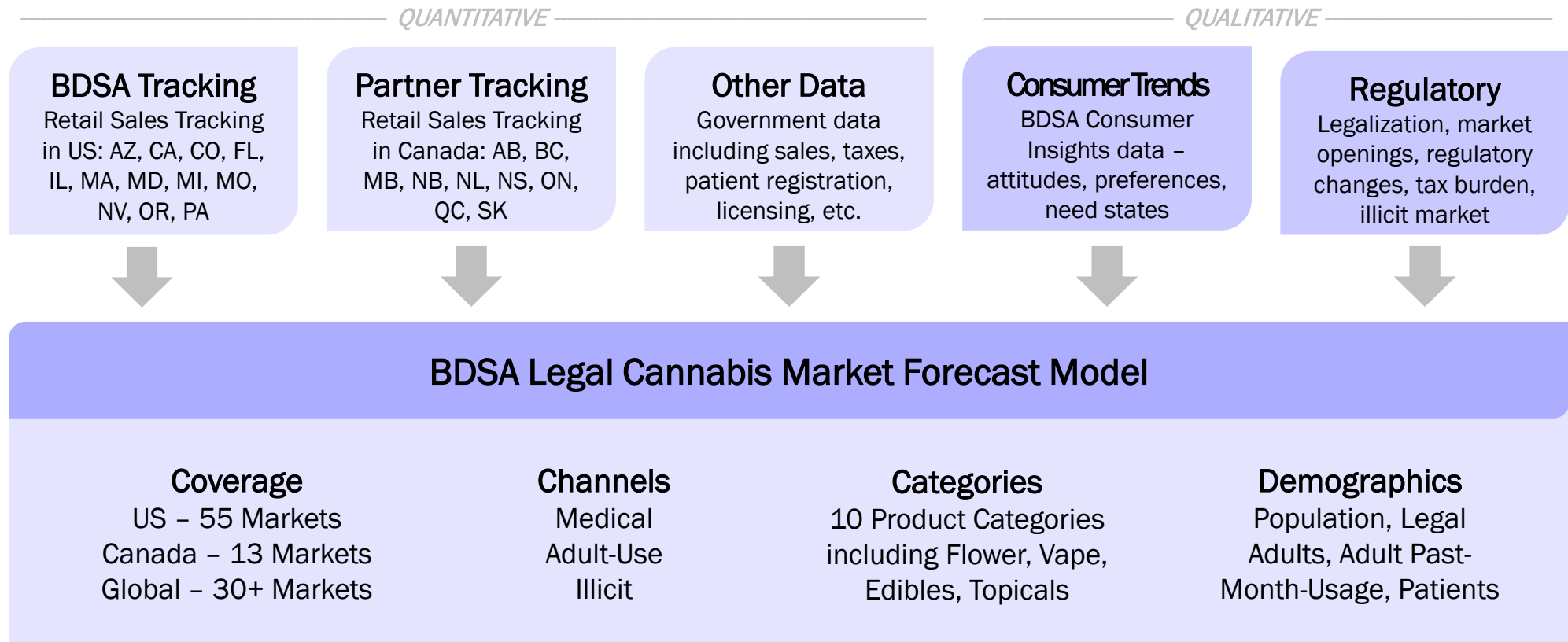
# AGENDA

- Key Updates and Take-Aways from BDSA's Newest Market Forecast
- Market Forecast Overview for Legal Cannabis Sales in US, Canada and International Markets
- Resources

# KEY TAKEAWAYS

- **Legal cannabis sales in the US grew briskly in 2021...**
  - ...though most markets saw second-half weakness following pandemic boost the prior 12 months.
  - US growth is forecast to be largely driven by sales increases in Mature markets such as California as well as Emerging markets, especially large Northeast markets like New York and New Jersey.
  
- **Canada growing strongly but slowing. Ontario dominating, Cannabis 2.0 products gaining share.**
  - Ontario's share of adult-use grows with its expanding retail footprint.
  
- **International growth led by Germany and Mexico**
  - Mexico appears on course to launch adult-use sales in 2023 and Germany could follow in 2024, pending regulatory action.

# BDSA LEGAL CANNABIS MARKET FORECAST



Source: BDSA

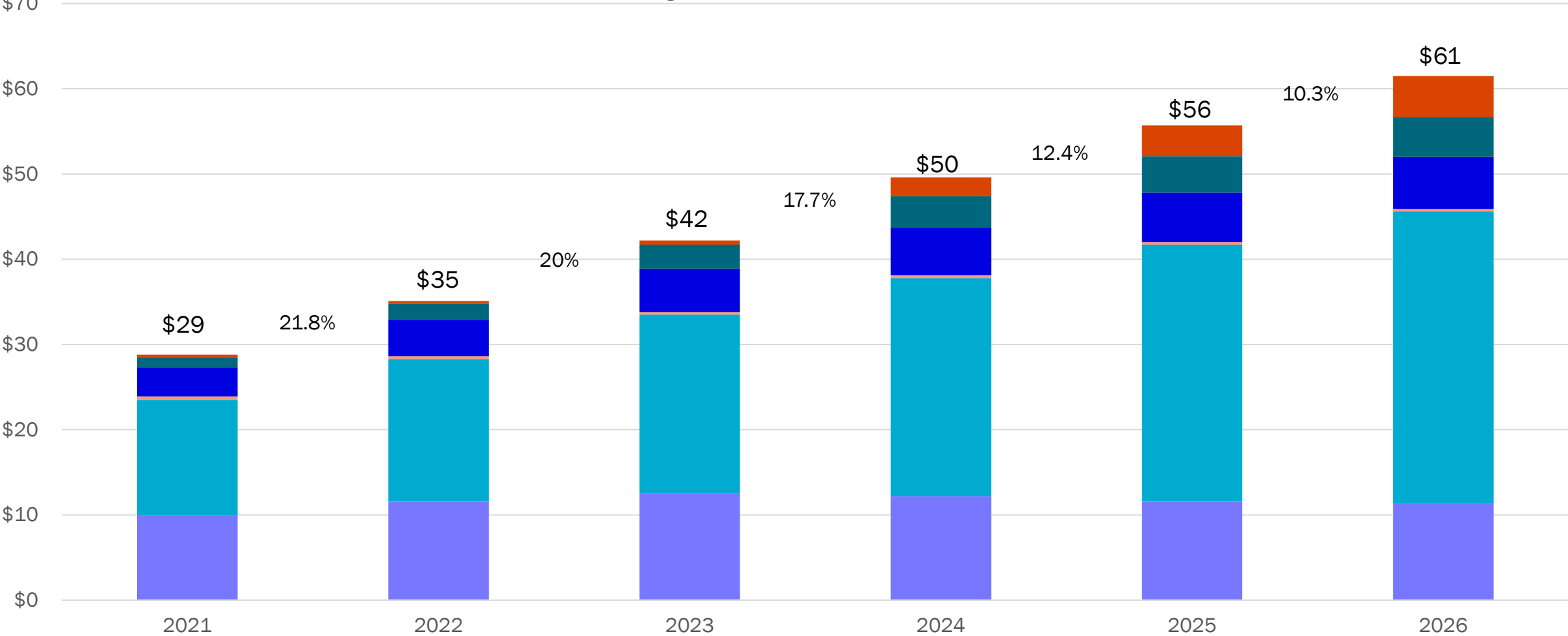


**TOTAL GLOBAL SALES**



# WORLDWIDE LEGAL SPENDING

BDSA Global Legal Cannabis Forecast (USD, billions)



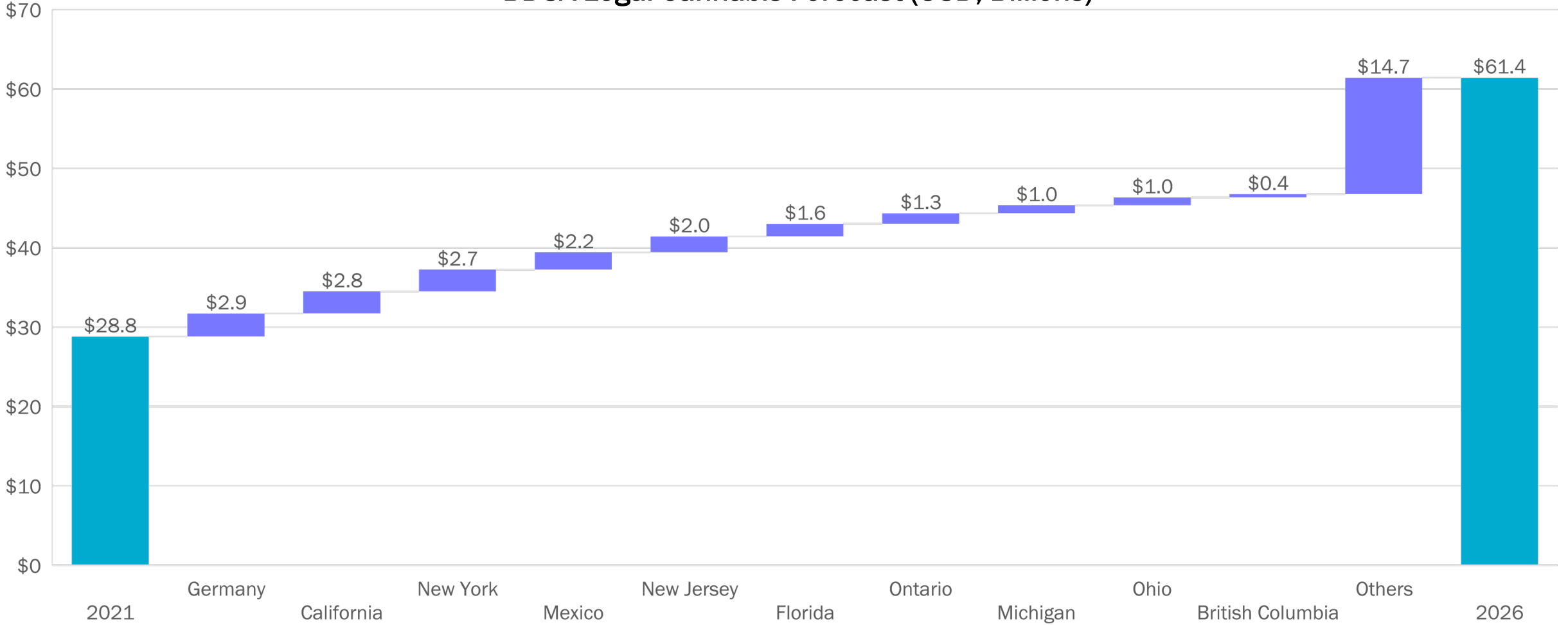
Source: BDSA

■ US Medical   
 ■ US Adult Use   
 ■ Canada Medical   
 ■ Canada Adult Use   
 ■ International Medical   
 ■ International Adult Use



# TOP TEN CONTRIBUTORS TO GROWTH

BDSA Legal Cannabis Forecast (USD, Billions)



Source: BDSA



**UNITED STATES**





# US CANNABIS MARKETS: 2021 RECAP

- Major market changes seen BDSA's Retail Sales Tracking or state data:
  - Several major U.S. legal markets saw unusual weakness in Q3 and Q4 of 2021. BDSA's revised 2021 market numbers and subsequent forecasts. All markets showed some softening but the effect was most noticeable in “maturing” markets such as California, Colorado, Oregon, and Washington.
  - This may be partially due to inflationary pressures and other macro economic impacts including the expiration of pandemic stimulus monies, expanded unemployment benefits, and eviction moratoriums, as well as continued waves of COVID-19 strains.
  - Recently launched markets in early-growth stage less effected than “maturing” markets by 2H2021 slump.
    - IL grew 70% to \$1.8 billion
    - MI grew nearly 156% to \$1.3 billion
    - MO's medical-only market saw unexpectedly strong growth, reaching \$210 million

# KEY US TAKEAWAYS

- Adult-use markets will continue to drive US growth, with Emerging markets in the Northeast playing a bigger role moving forward.
  - California, which launched adult-use in 2018, remains the largest contributor to overall US sales growth, and is expected to add \$2.8 billion by 2026.
  - MI, IL and MO are all expected to be top ten contributors to overall cannabis sales growth in the US between 2021 and 2026.
  - **Emerging markets from the Northeast** are expected to be among the top ten contributors to total U.S. legal sales by 2026, including New York (+\$2.7 billion), New Jersey (+\$2.0 billion), and Pennsylvania (+\$1.0 billion).
- Non-legal states are rapidly dwindling, and the pace of legalization could increase
  - The latest crop of state medical, and even adult-use bills, are seeing unprecedented bipartisan support.
- Broad federal cannabis legalization is unlikely to happen in the near term
  - Some minor reforms such as fixes to banking and IRS 280e may be rolled into other bills, but This is not expected to change the pace of individual state legalization and availability.

# FORECAST MARKET LAUNCH DATES (RETAIL SALES)

## MEDICAL

## ADULT-USE

2022

Georgia, Mississippi, South  
Dakota,  
US Virgin Islands

Connecticut, Guam, Montana, **New  
Jersey**, New Mexico, Rhode Island,  
Vermont

2023

Alabama, Kentucky, North Carolina, South  
Carolina, Wisconsin, Wyoming

Delaware, D.C., **New York**, North Dakota, **Ohio**

2024

Idaho, Indiana, Kansas, Nebraska,  
Tennessee

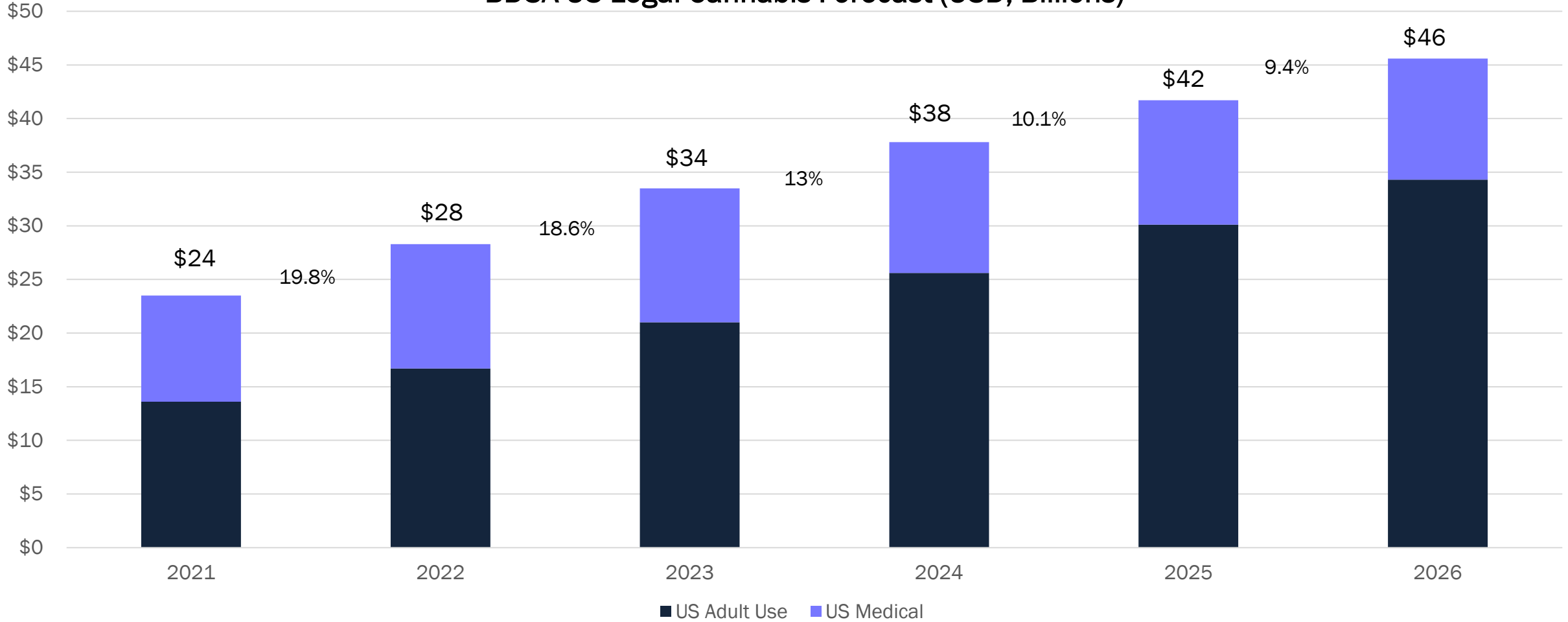
**Florida**, Maryland, Missouri,  
**Pennsylvania**, South Dakota,  
Virginia

2025

Arkansas

# US LEGAL SPENDING

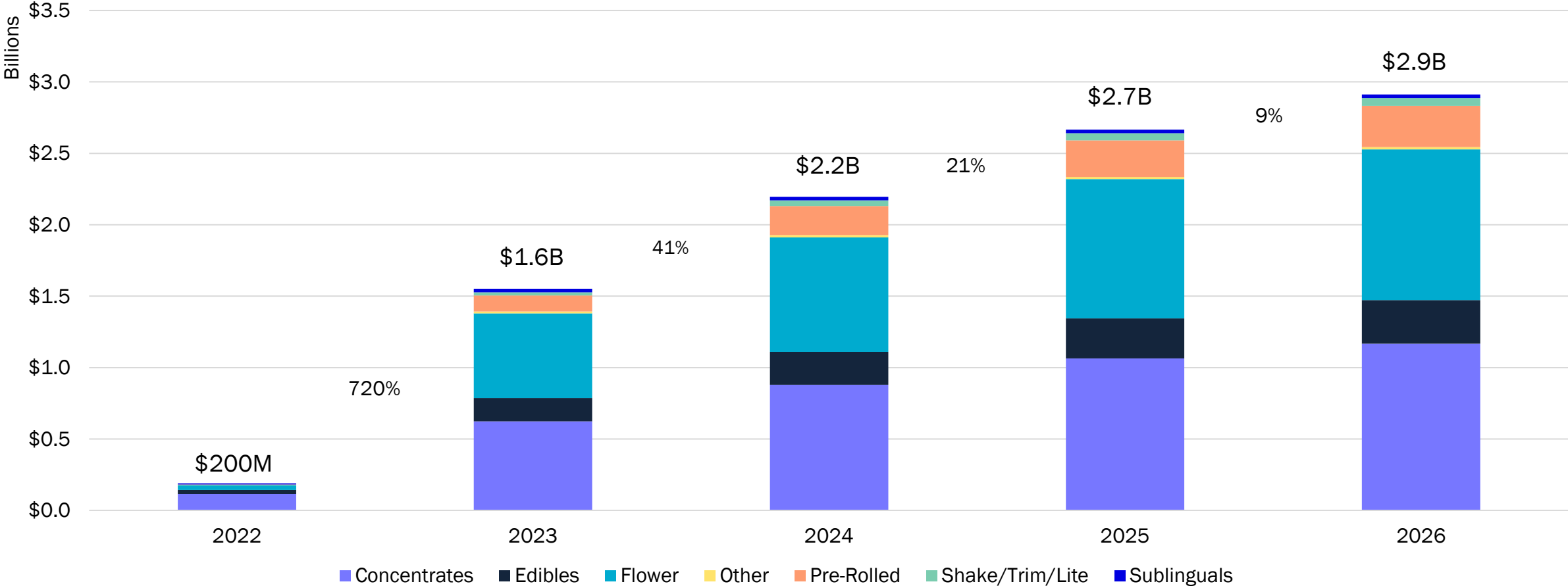
BDSA US Legal Cannabis Forecast (USD, Billions)



Source: BDSA

# ALL EYES ON THE EAST: NEW YORK EXAMPLE

New York Category Sales Forecast



Source: BDSA Market Forecast



**B D**  
**S A**



**CANADA**



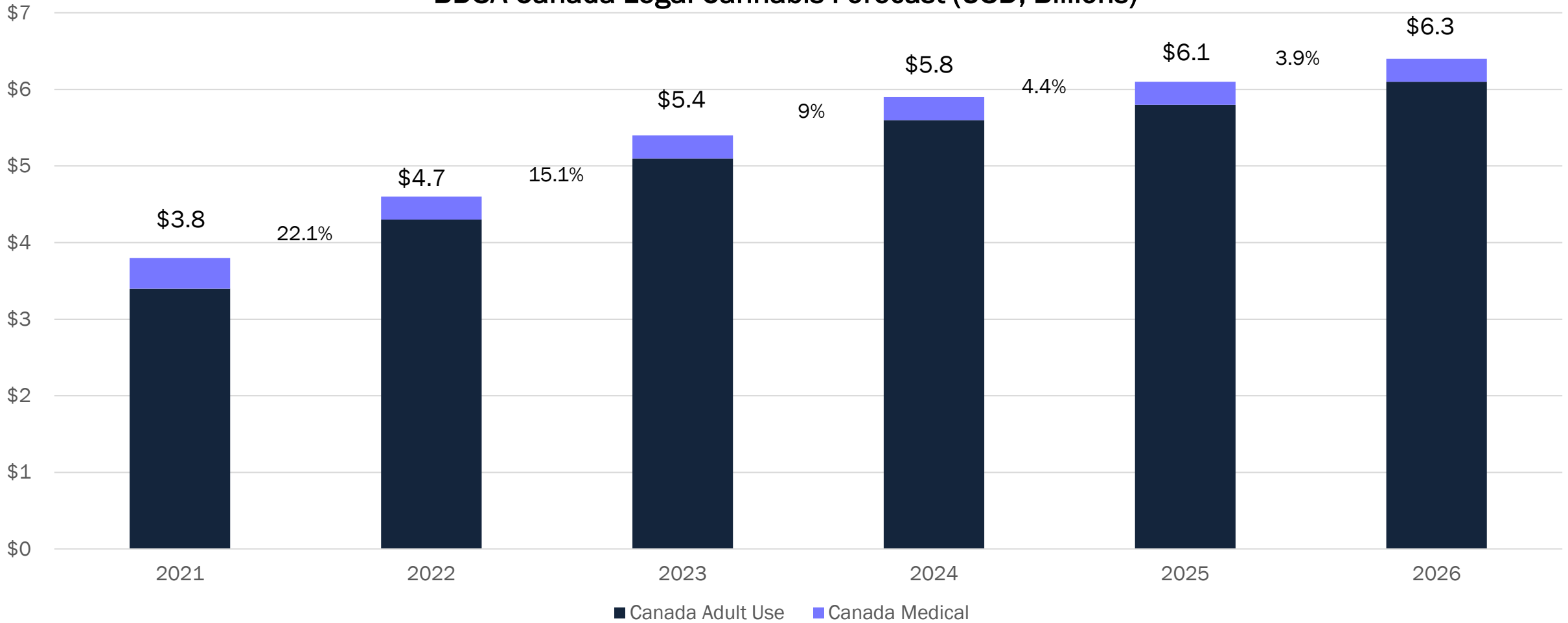
# KEY CANADA TAKEAWAYS

- **Legal cannabis spending in Canada grew by 47% to \$3.8 billion in 2021**
  - Adult-use retail sales slowed in 1H21 but picked up in 2H, ending the year at \$3.6 billion.
  - Medical sales in 3Q were higher than expected, BDSA estimates year total at \$369 million.
- **Medical sales are expected to decline 13% to \$302 million in 2022**
  - BDSA forecasts patients declining from an estimated 267K in 2021 to 243K in 2022.
- **Adult-use sales expected to grow 26% to \$4.3 billion**
  - **Ontario's robust dispensary roll-out over the past two years**
    - The province's share of total adult-use retail sales has grown from 27% 2020 to 41% in 2021.
  - **Cannabis 2.0 products such as edibles and vapes continue to gain share where available**
    - Category mix is evolving toward that of more-mature US markets.
    - Edibles reached the 7% share range in AB, BC, and ON in 2021. Very limited form factors in QC.
    - Vapes reached 18% in AB, 14% in BC, 15% in ON in 2021. Not allowed in QC.

*Note: The figures above are in US dollars. BDSA relies on data from the Canadian government and partner Hifyre for monthly and quarterly sales data on the adult-use retail, total adult-use, medical, and illicit channels. This data is provided in Canadian dollars and BDSA converts this to US dollars using the average annual exchange rate as provided by Bank of Canada. BDSA does not forecast exchange rates.*

# CANADA LEGAL SPENDING

BDSA Canada Legal Cannabis Forecast (USD, Billions)



Source: BDSA





**INTERNATIONAL**



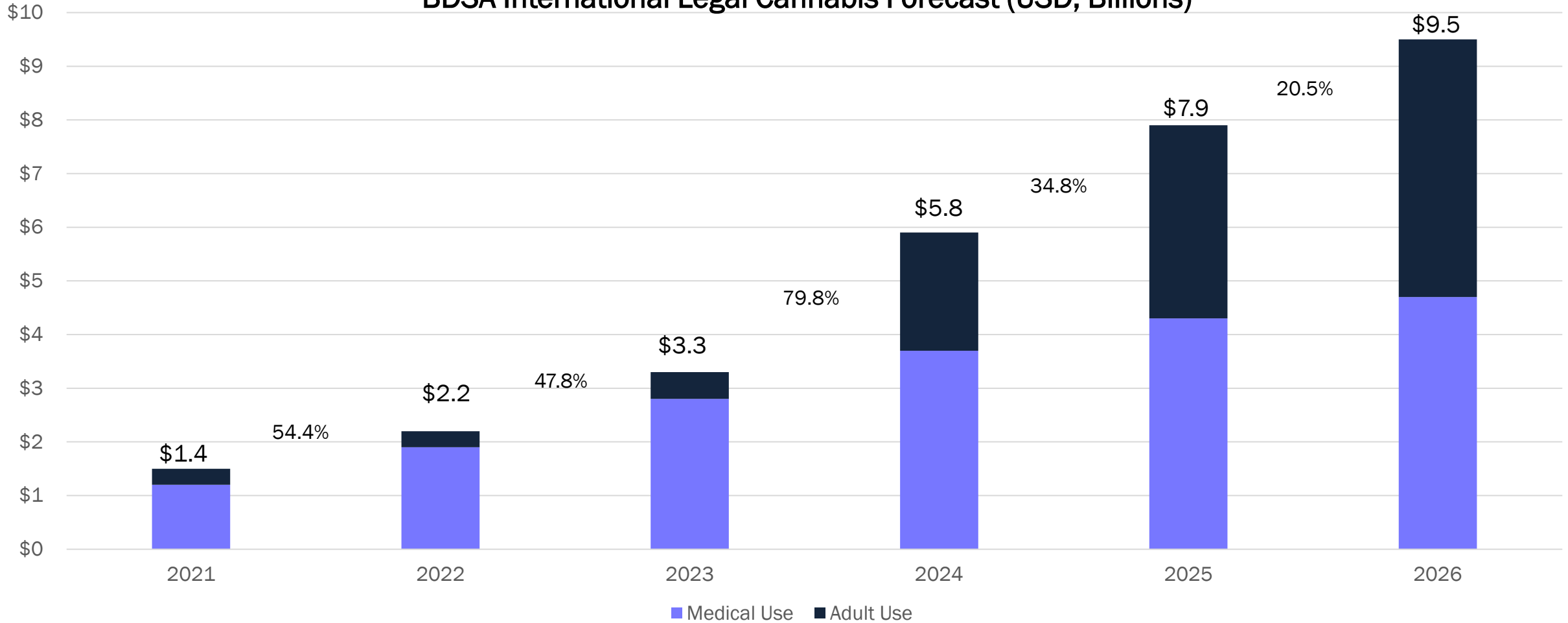
# KEY INTERNATIONAL TAKEAWAYS

- **International market continues to be driven by Germany and Mexico**
  - **Germany**
    - Medical market remains sluggish, driven by non-reimbursed prescriptions. Adult-use now seems likely in the ~22-23 timeframe.
    - BDSA has forecast sales to begin in 2024, contingent upon legalization and regulation.
    - Population is twice the size of California's, so the market will be huge—BDSA forecasts \$1.3 billion first-year sales.
  - **Mexico**
    - A June 2021 Supreme Court decision cleared the way for eventual adult-use sales.
    - Draft regulations were circulating by the end of 2021.
    - BDSA expects adult-use sales beginning in mid-2023 and reaching \$145 million that year, assuming regulation passes in 2022.
  - **All other markets**
    - Updated based on actual patient and spending data as available.
    - Patients moving to private sources, especially in the UK where access through the NHS is limited.

*Note: BDSA now includes “rest of world” in GreenEdge (which drives increased illicit sales contribution)*

# INTERNATIONAL LEGAL SPENDING

## BDSA International Legal Cannabis Forecast (USD, Billions)



Source: BDSA

**Note:** International excludes US and Canada



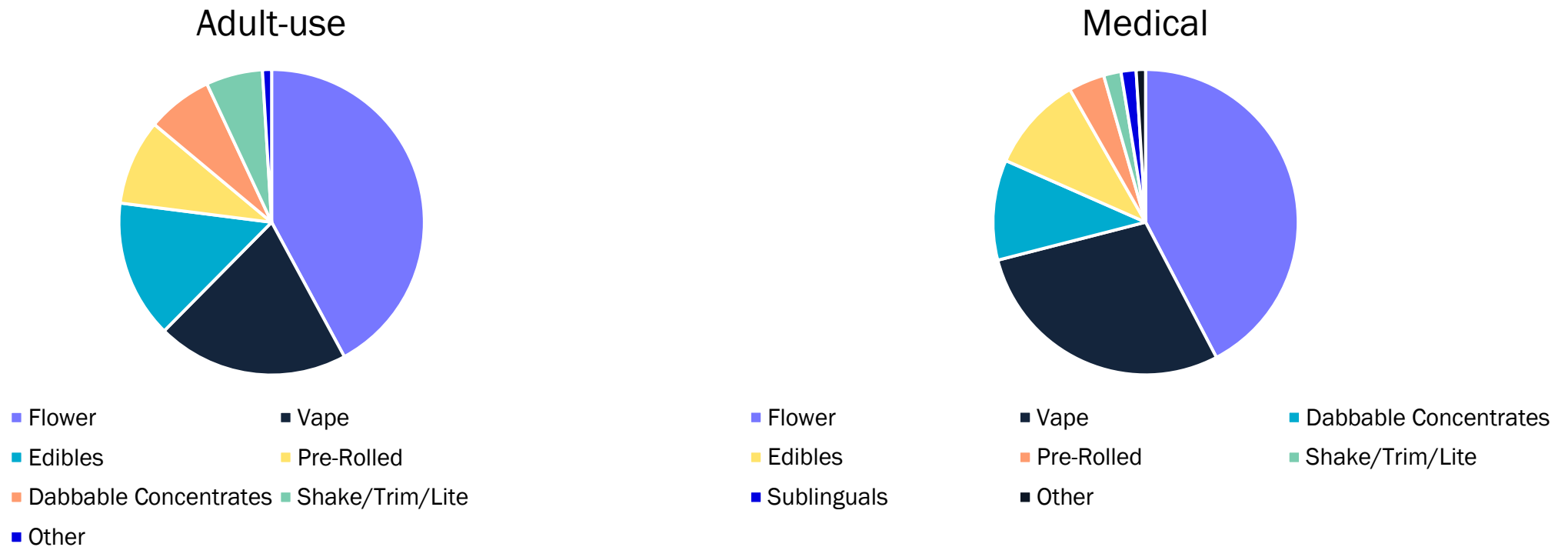


# CATEGORY SALES CHANGES



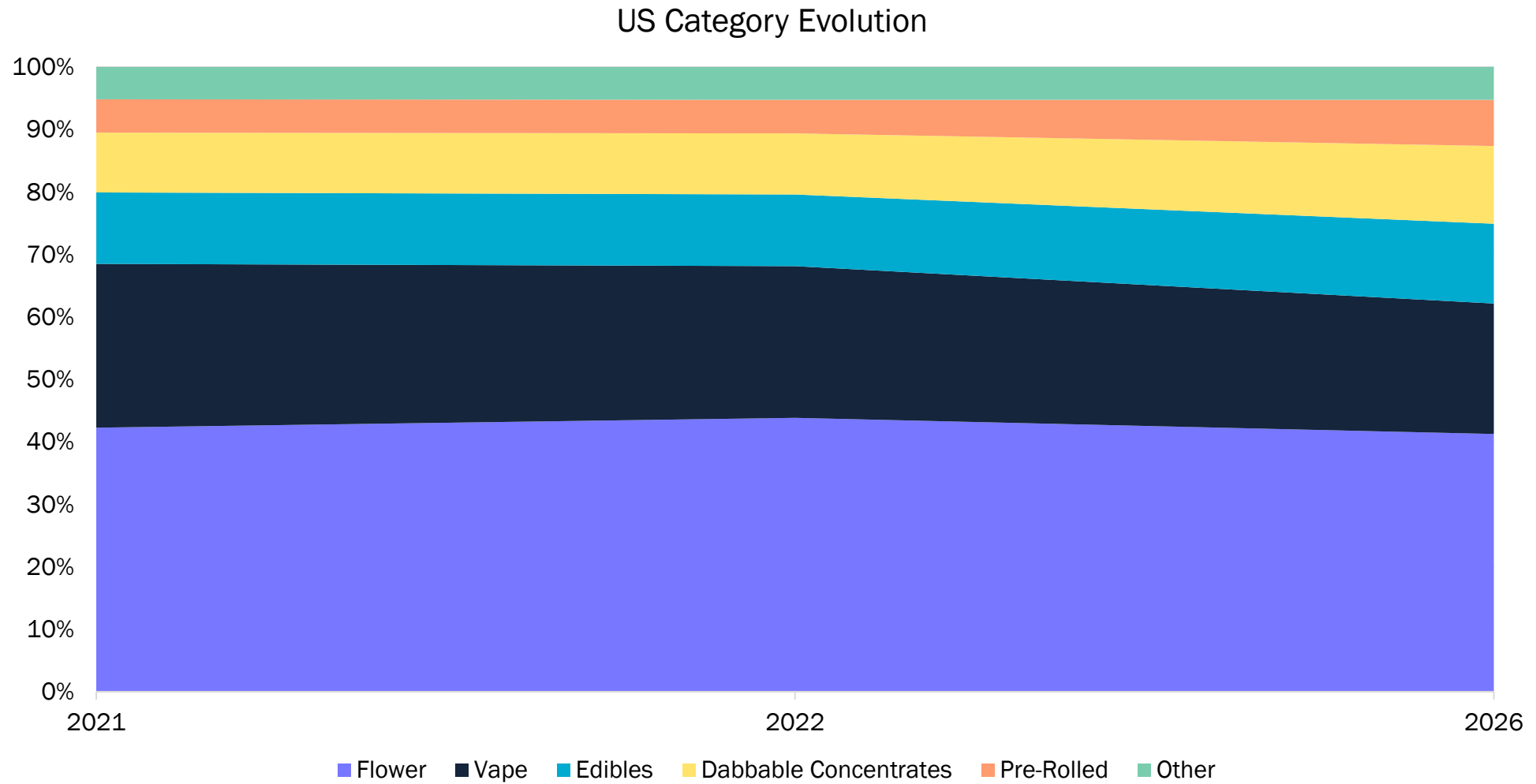
# US CATEGORY SHARE: ADULT-USE VS MEDICAL, 2021

- Many Medical-only markets have removed product restrictions, allowing the category share to move closer to that seen in Adult-use markets.
  - In 2021, Medical markets overall still saw edibles, dabbable concentrates, and pre-rolled joints making up a smaller share of dollar sales, while vapes make up a larger share of category dollar sales than in Adult-use markets.



Source: BDSA Retail Sales Tracking; BDSA Market Forecast

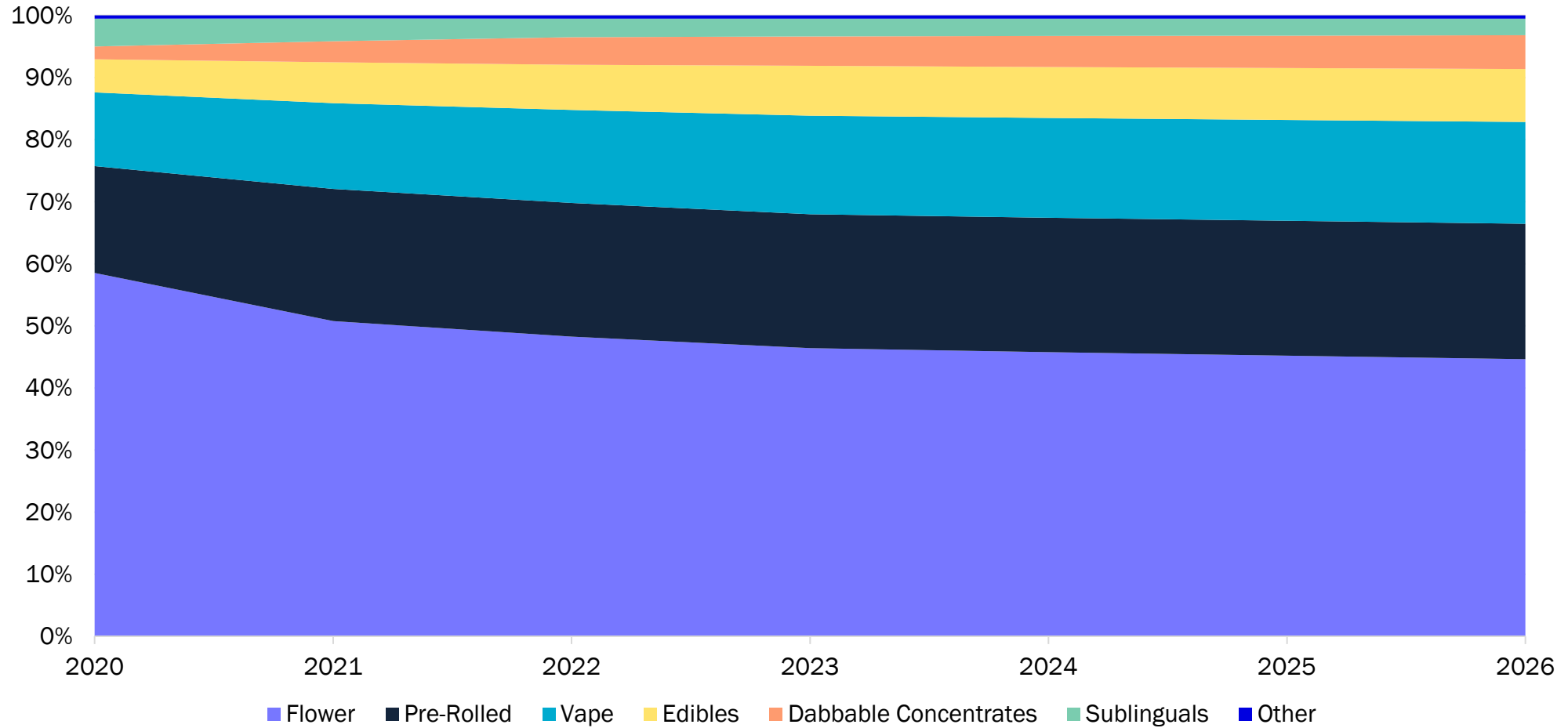
# US CATEGORY EVOLUTION



Source: BDSA Retail Sales Tracking; BDSA Market Forecast

# CANADA CATEGORY EVOLUTION

Canada Cannabis Market Category Evolution



Source: HiFyre; BDSA Market Forecast



IT'S A NEW GAME

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

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