CANNABIS BEVERAGE MARKET OVERVIEW

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BEVNET LIVE

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BDSA PROVIDES A COMPLETE VIEW OF THE GLOBAL CANNABIS MARKET OF TODAY AND TOMORROW

RETAIL SALES TRACKING

Know exactly what is selling where, when, and at what price point

MARKET FORECASTS

Gain a comprehensive understanding of market size and future opportunity

CONSUMER INSIGHTS

Understand consumer (and non-consumer) segments, sizing, behavior, consumption patterns, purchase habits, and more

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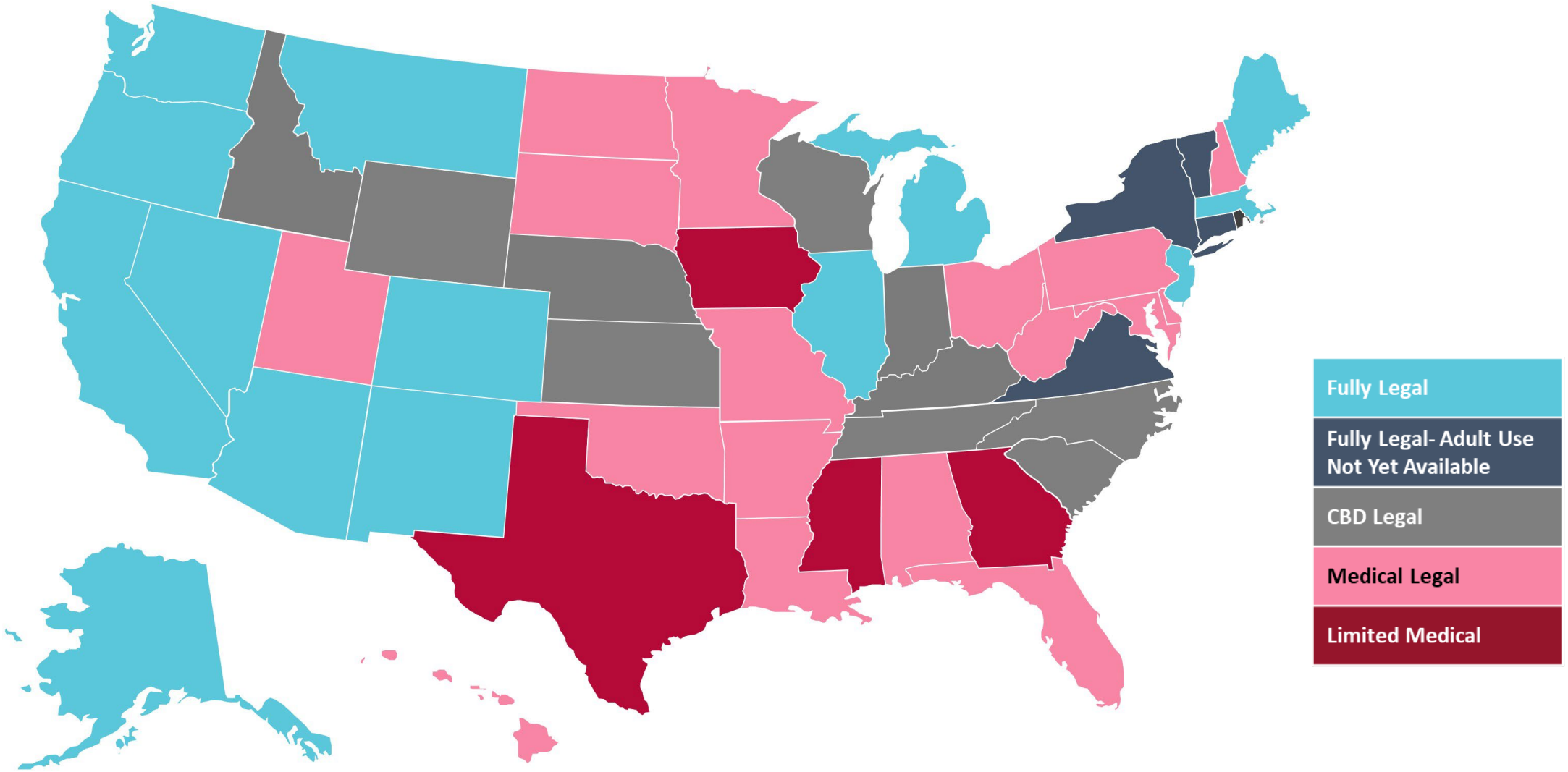
STATE OF THE INDUSTRY

REGULATIONS LOOSENING ACROSS THE US (SEGMENTS AS OF JUNE 2022)



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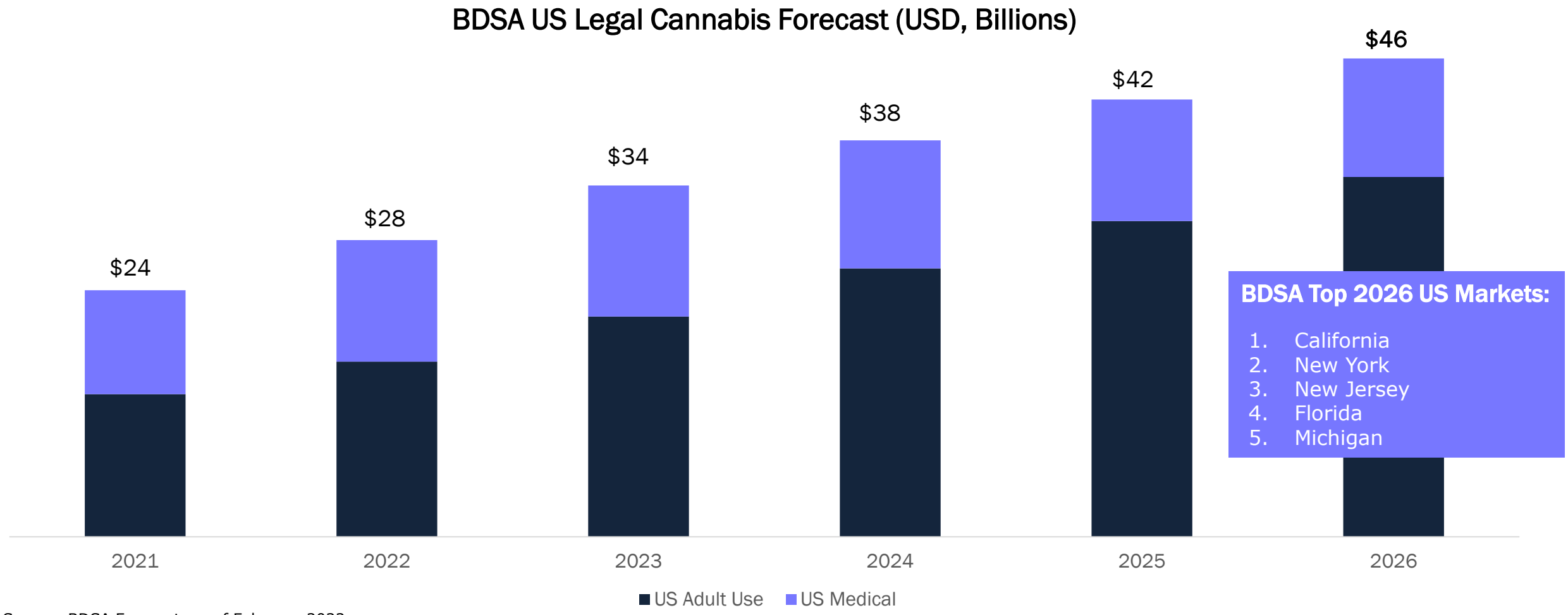
GLOBAL MARKET ($61B) DRIVEN BY US; US DRIVEN BY ADULT-USE



Source: BDSA Forecast, as of February 2022

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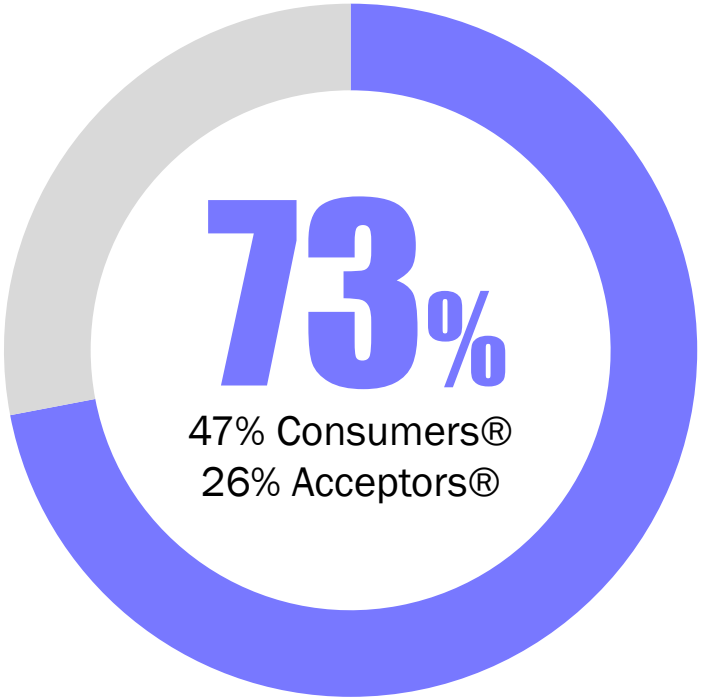
IN FULLY LEGAL STATES, ~75% OF ADULTS ARE "BOUGHT IN" TO CONSUMING



66% in CANADA

...of adults 21+ in fully legal U.S. states consumed cannabis in the past 6 months or are open to consuming cannabis

27% are Rejecters®
(would not consider in the future)

Source: BDSA Consumer Research: Fall 2021 U.S. Adults 21+ in Legal Level 1 States

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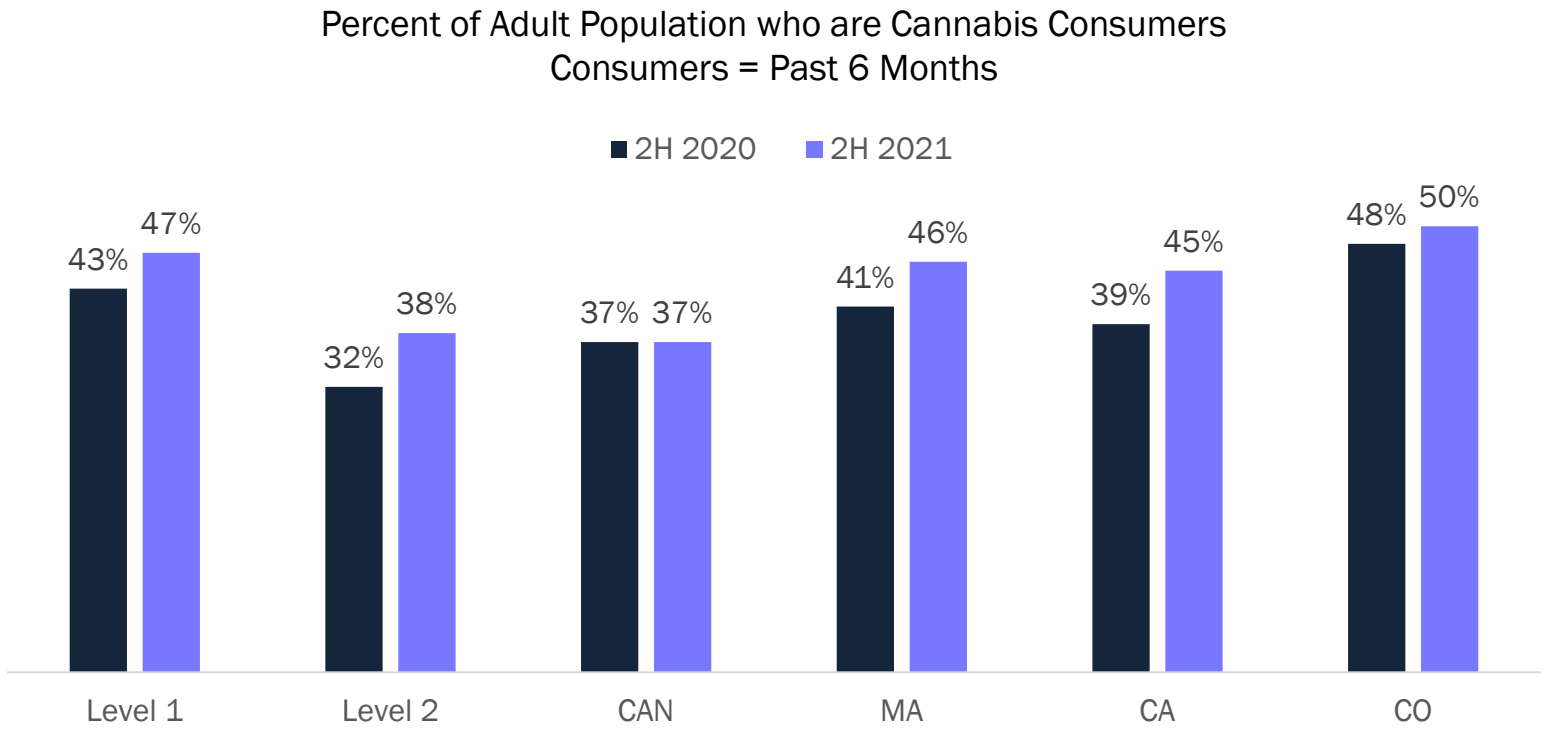
THE CONSUMER POPULATION, EVEN IN MATURE MARKETS, GREW IN 2021



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 2020-2H 2021

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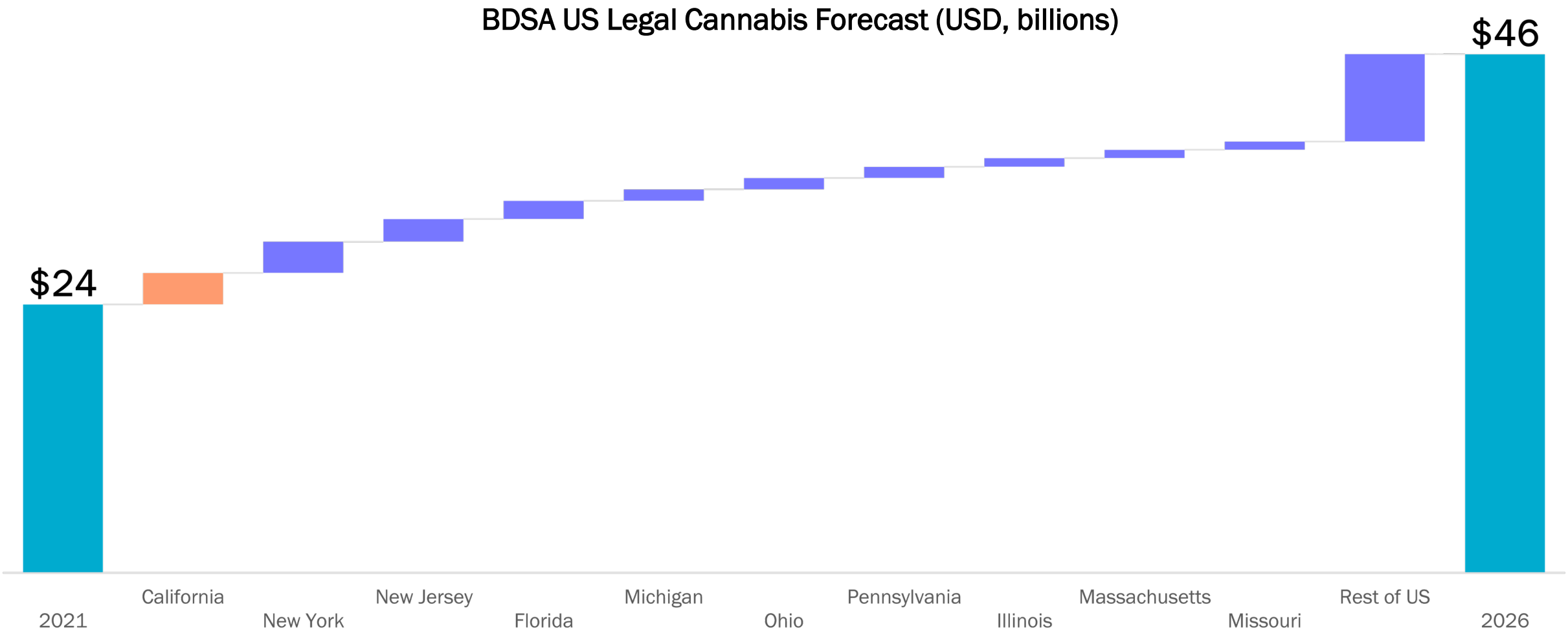
CALIFORNIA CONTINUES TO TOP THE US MARKET



Source: BDSA Forecast, as of February 2022

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MSO'S AND VAPE-FOCUSED BRANDS DOMINATE ACROSS BDSA-TRACKED MARKETS

1. STIIIZY (Shryne Group)
2. RYTHM (GTI)
3. CRESCO CANNABIS (Cresco Labs)
4. SELECT (Curaleaf)
5. HIGH SUPPLY (Cresco Labs)

Source: BDSA RETAIL SALES TRACKING Q1 2022—AZ, CA, CO, IL, MA, MD, MI, MO, NV, OR, PA

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NOW FOR MORE FUN...
BEVERAGES

CONSUMERS SEEK DIFFERENT BENEFITS BY FORM FACTOR

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: 2H 2021 U.S. Adults 21+ in Legal Level 1 States

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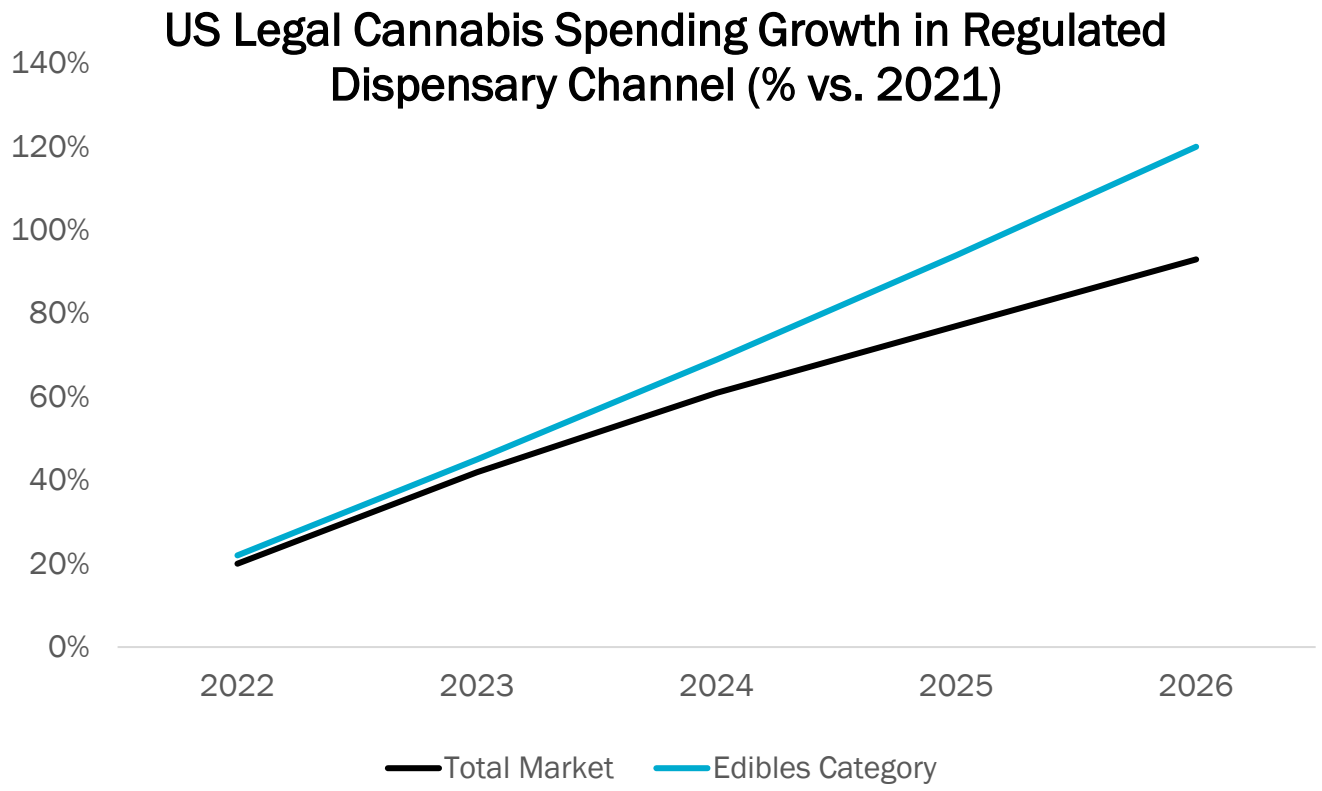
EDIBLES ARE ~15% OF US DOLLAR SALES AND GROWING



By 2026, dollar sales will be...

2.2x

Edibles

1.9x

Total Market

... vs. 2021

Source: BDSA Forecast, as of February 2022

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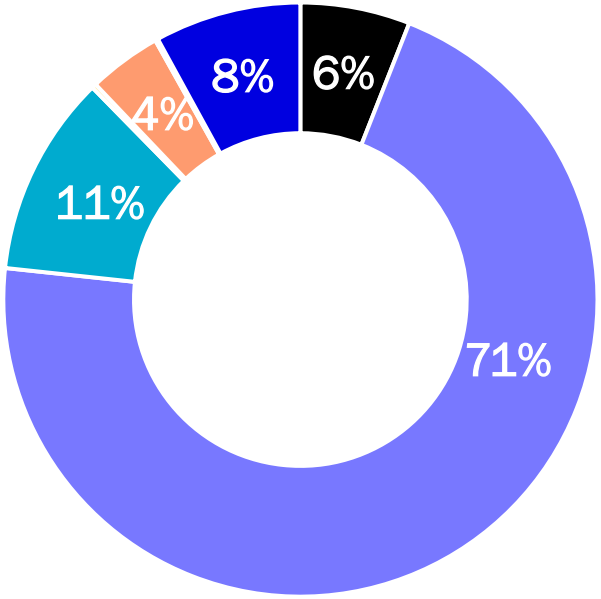
US EDIBLES DOMINATED BY CANDY, DRIVEN BY GUMMIES

Dollar Sales Spend Edibles Category



CANDY
Gummie Candy 89%
Taffy 5%

■ Beverages ■ Candy ■ Chocolates ■ Culinary
■ Infused Foods ■ Other Edibles ■ Pills

+30%

2021 Total Edibles $
Growth vs. 2020

Source: BDSA Sales Tracking, Full year 2021 Dollar Sales: AZ, CA, CO, OR, NV, MD, MA, MI, MO, IL, FL, PA

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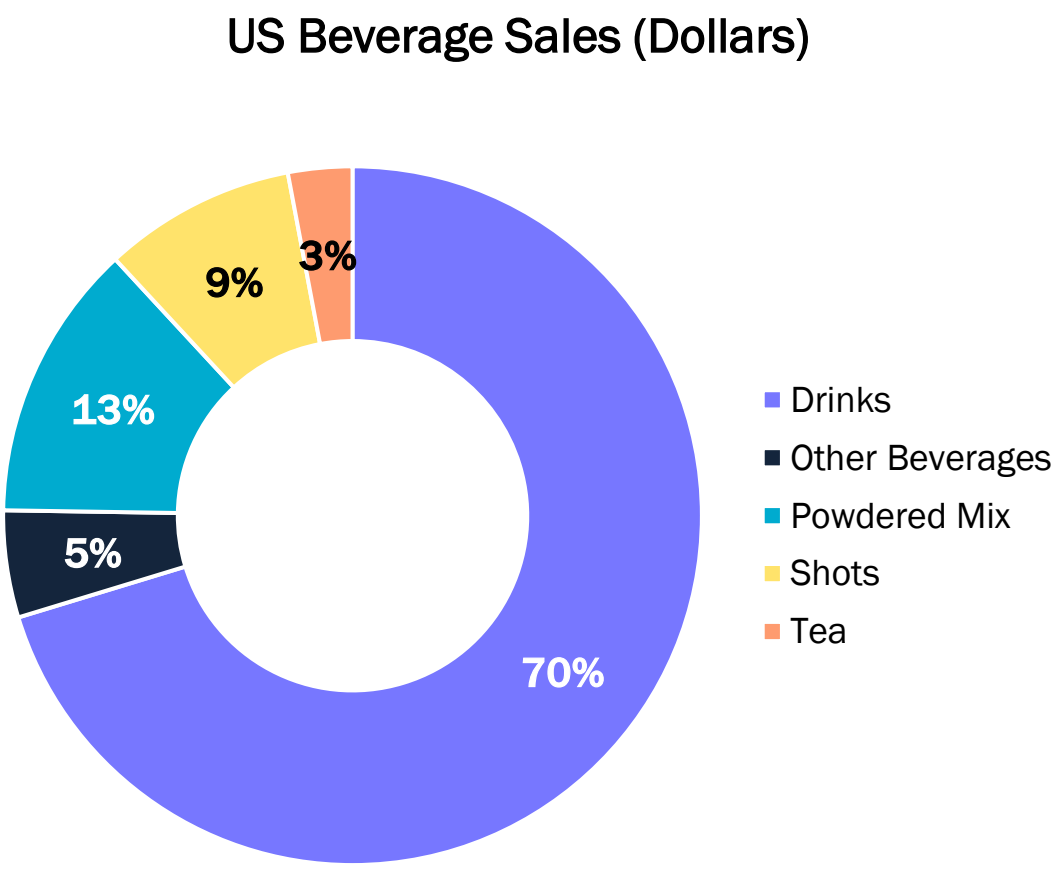
US BEVERAGES SMALL (5% OF $ SALES) BUT GROWING



OF CANNABIS CONSUMERS...

30%

Consume Beverages

4%

Prefer Beverages

BEVERAGE SALES INCREASING

+64%

2021 US Total Beverage $ Growth vs. 2020

Source: BDSA Sales Tracking, Full year 2021 Dollar Beverage Sales: AZ, CA, CO, OR, NV, MD, MA, Mi, MO, IL, FL, PA

Source: BDSA Consumer Insights, 2H 2021 in Fully Legal states

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TOP 3 REASONS CONSUMERS CONSUME EDIBLES (AND BEVERAGES)

SLEEP BETTER

50% to Sleep Better

RELAX / BE MELLOW

45% to Relax

RELIEVE PAIN

41% to Relieve Pain

Source: BDSA Trending Consumer Insights, 2H 2021 in Fully Legal states

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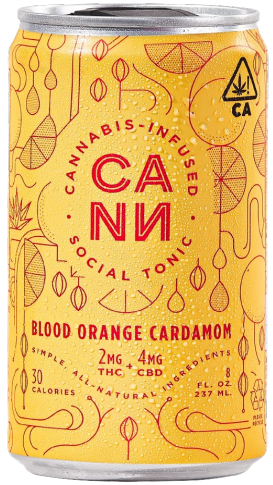
Q1 2022 TOP SELLING ($) BEVERAGE BRANDS



1KEEF
2CANN
3LEVIA (AYR)
4PTS
5SELECT

Source: BDSA RETAIL SALES TRACKING 2021—AZ, CA, CO, IL, MA, MD, MI, MO, NV, OR, PA

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WHAT DRIVES EDIBLES (AND BEVERAGES) PURCHASING DECISIONS?

Among Dispensary Shoppers Preferring Edibles

Taste or Flavor

Is a Brand I've Used Before

Low Price

Source: BDSA Trending Consumer Insights, 2H 2021 in Fully Legal states

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CBD IN DISPENSARIES…

+14%

Avg Retail Price for Cannabis Edibles with CBD

317/618

Edibles Brands offer at least one CBD SKU

Wyld
1906
Wana
Plus Products
Incredibles

Source: BDSA Q1 2022 Retail Sales Tracking

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CANNABIS BEVERAGES CONSIDERATIONS

- The Beverages Category is expected to remain a small part of Cannabis overall, and this growth curve has only flattened since the last BDSA Forecast update with an observed slowdown of the total market in Q3 and Q4 2021

- Most Beverages remain in the Drinks subcategory (78%, no change since last update)

- CA, IL, MA, and MO are the top markets in terms of growth and new sales, with FL and MI also having launched Beverage sales in 2021

- Top Brands dominate the market nationally, with all top products across BDSA Tracked Markets coming from the Top 10 Brands

- Beverage adoption among consumers has slowed, with no growth in penetration since the last update. Consumption and spend rates have also lowered, but these observations are in line with the softening of the Cannabis market overall along with the global/US economy

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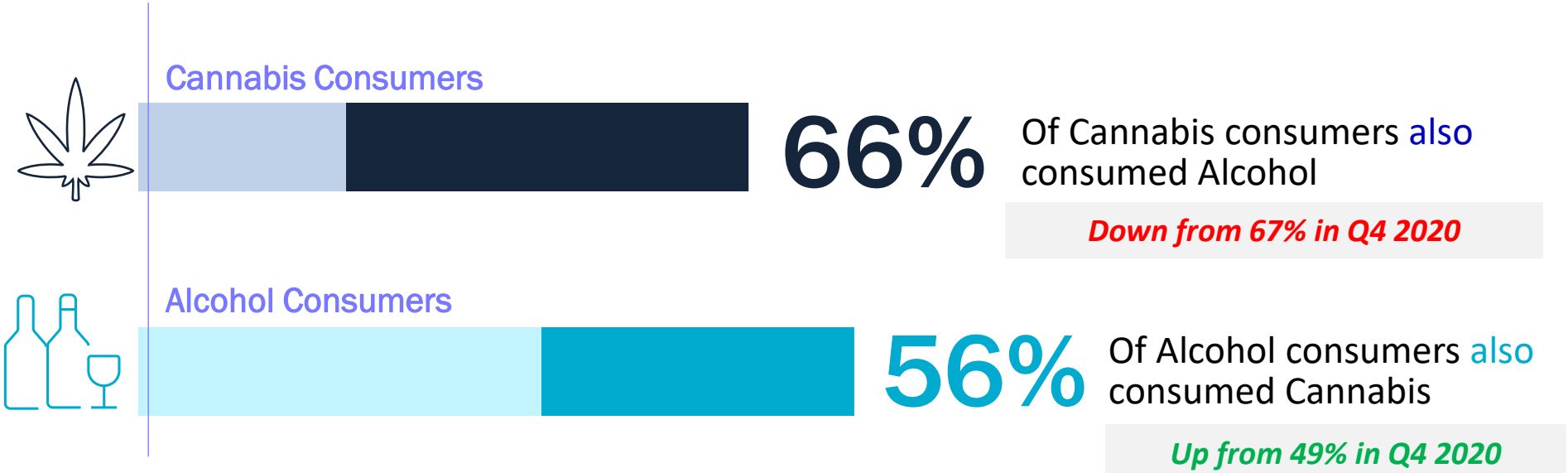
BEV/ALC CONSIDERATIONS

THE LONG-TERM IMPACT IS INEVITABLE

Half of all alcohol consumers now consuming cannabis

Q4 2021 Alcohol & Cannabis Consumption

Past 6 months in Legal Adult-Use Sates



*Source: BDSA Consumer Research: Q4 2021 U.S. Adults 21+ in Legal Level 1 States

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HALF OF CO-CONSUMERS USE CANNABIS AND ALCOHOL FOR DIFFERENT OCCASIONS

Different times of day or days of the week

50%

-3 pts vs. Q4 2020

Same times of day or days of the week

14%

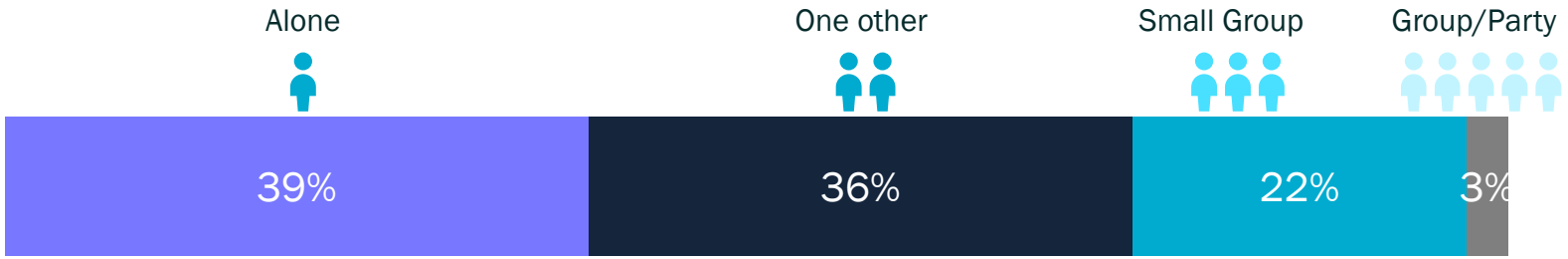
No change vs. Q4 2020

Both

36%

+3 pts vs. Q4 2020

Alcohol and cannabis TOGETHER, tend to be in intimate settings



*Source: BDSA Consumer Research: Q4 2021 U.S. Adults 21+ in Legal Level 1 States

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~5% OF CO-CONSUMERS ARE AT RISK OF REDUCING ALCOHOL CONSUMPTION WHEN PAIRING

56%

Alcohol consumers also report P6M cannabis consumption

14%

Co-consumers who consume at same time/day

50%

Consume less alcohol when pairing

Risk Occasions

*Source: BDSA Consumer Research: Q4 2021 U.S. Adults 21+ in Legal Level 1 States

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HOW TO APPROACH THE LEGAL CANNABIS SPACE

DO THE RULES OF CPG APPLY TO CANNABIS….YES & NO

PRICE MATTERS

"PRICE" is consistently a top-3 claimed driver of product choice with ~30% saying that price influences their purchase decision. It falls just behind taste/flavor and high THC content.

Price alone does not indicate quality or premium. BUT there are drivers and product attributes that cannabis consumers WILL pay more for.

BUT NOT NATIONAL

There are no national standards- the exact same product (same size, variety, THC content, etc.) can have dramatically different pricing by state/province

BRANDS MATTER…ISH

Brand alone doesn't seem to matter at the surface, BUT a good experience, trusted recommendation, and brand familiarity does. These benefits tie back to brand.

Brand dominance does not yet exist and brand rankings shift constantly.

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CANNABIS ROUTE TO MARKET

OVERSIMPLIFICATION OF COMPLEX LICENSING; DIFFERENT BY STATE

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BDSA FULL YEAR 2022 PREDICTIONS

1. **Classification (indica, sativa, hybrid) will fade away as a designation of the consumer experience** – cannabinoid content and terpene driven benefits are the way of the future

2. Brand recognition will grow, and dare we say, **brand loyalty** will emerge

3. More blatant quality cues will drive **greater pricing differentiation**

4. The race for **global cannabis dominance** is well on its way – but traditional CPG will not lead the way

5. The FDA will continue to limit the potential of the **mainstream CBD market** (indefinitely?)

6. **Vape will continue to survive** (and thrive) despite reputational hits

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IT’S A NEW GAME.

DATA. DEEPER.

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