

B D S A  ESSENTIAL CANNABIS
INSIGHTS

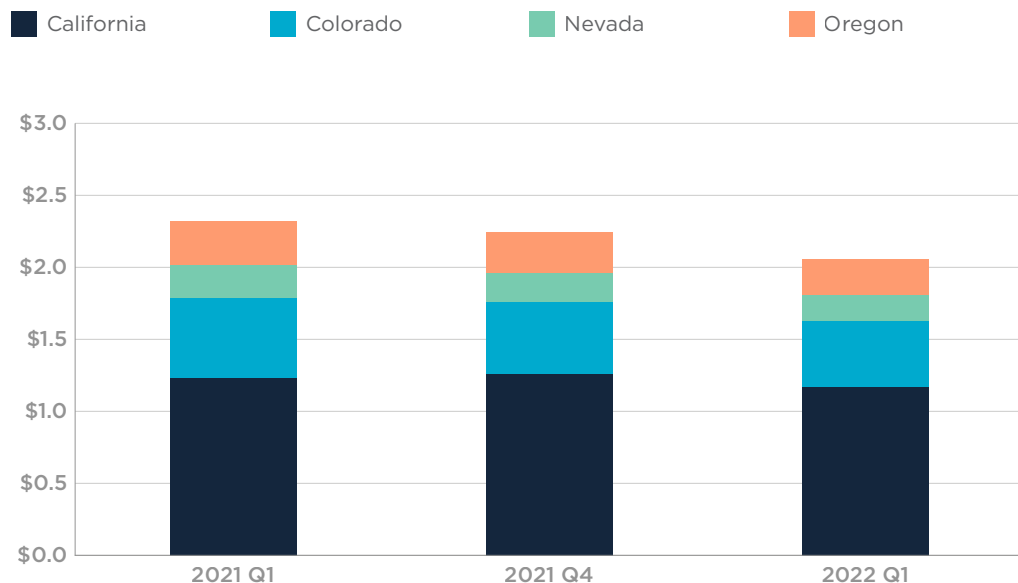
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BDSA'S Q1 CANNABIS MARKET OVERVIEW

After seeing legal cannabis sales soften in Q4 2021, many held high hopes that 2022 would bring a resurgence of legal cannabis markets, as new market launches and rising consumer penetration in existing markets spelled the potential for gains in the new year. With the first quarter fully in the books, it's clear that these hopes did not always materialize. BDSA Retail Sales Tracking show that while Emerging markets and New Markets saw growth between Q1 2021 and Q1 2022, all markets covered by BDSA Retail Sales Tracking saw total dollar sales decline from Q4 2021 to Q1 2022.

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Quarterly Dollar Sales: Mature Markets (Billions)



Source: BDSA Retail Sales Tracking; 2021-2022 CA, CO, NV, OR

Mature Markets

CA, CO, NV and OR

The most established markets tracked by BDSA saw some of the most dramatic declines in the first quarter of 2022. Across California, Colorado, Nevada and Oregon, total dollar sales fell -10% between Q4 2021 and Q1 2022, and fell -12% from Q1 2021 to Q1 2022. Some of this decline is due to falling average retail prices (ARPs), with the equivalent ARP in Q1 2022 falling -5% from Q4 2021 and remaining almost flat from Q1 2022 across these four markets, all markets also saw declines in unit sales.

The Nevada market saw some of the most dramatic losses, with dollar sales falling 12% from Q4 2021 and 22% from Q1 2021, indicative of the effect that the current economic situation is having on the heavily tourism-dependent Nevada market.

Emerging Markets

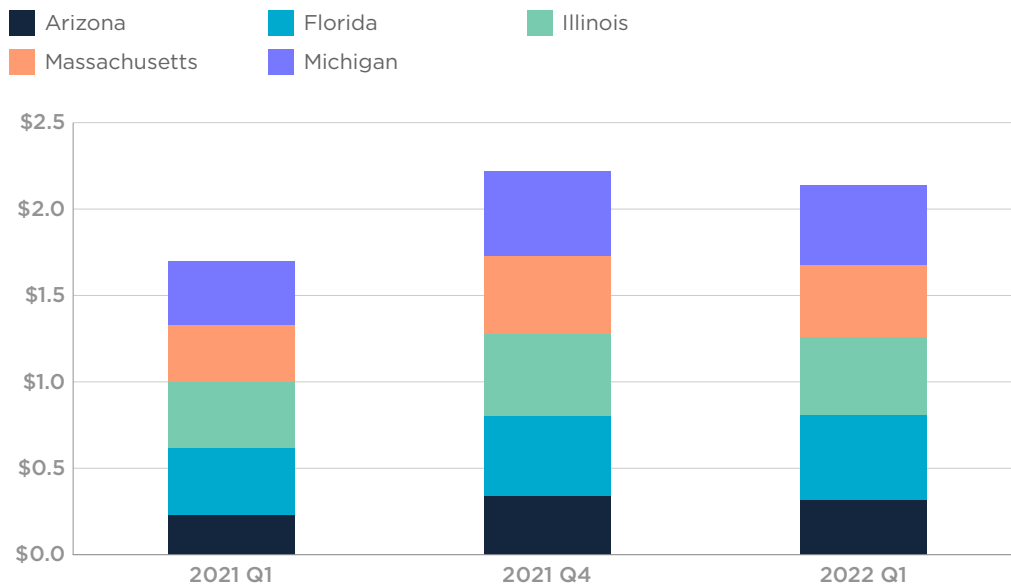
AZ, FL, IL, MA and MI

After seeing stronger growth than more mature markets for most of 2021, the Emerging markets of Arizona, Florida, Massachusetts and Michigan began to see sales soften at the end of the year, with quarterly sales falling -6% in Q1 2022.

Most Emerging Markets tracked by BDSA saw dollar sales declined from Q4 2021 to Q1 2022, except for the Florida medical market, which saw -7% growth from Q4 2021 to Q1 2022. Surprisingly, the young Arizona adult-use market saw one of the most significant quarter to quarter losses in dollar sales, falling -7% from Q4 2021, but still saw a -40% increase in sales from Q1 2021, due to the addition of adult-use in early 2021.

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Quarterly Dollar Sales: Emerging Markets (Billions)



Source: BDSA Retail Sales Tracking; 2021-2022 AZ, FL, IL, MA, MI

Similar to the dynamic seen in Mature markets, average retail prices (ARPs) fell across all Emerging markets in Q1 2022. Massachusetts saw one of the largest declines, with the equivalent ARP in the state falling ~9% from Q4 2021.

New Markets

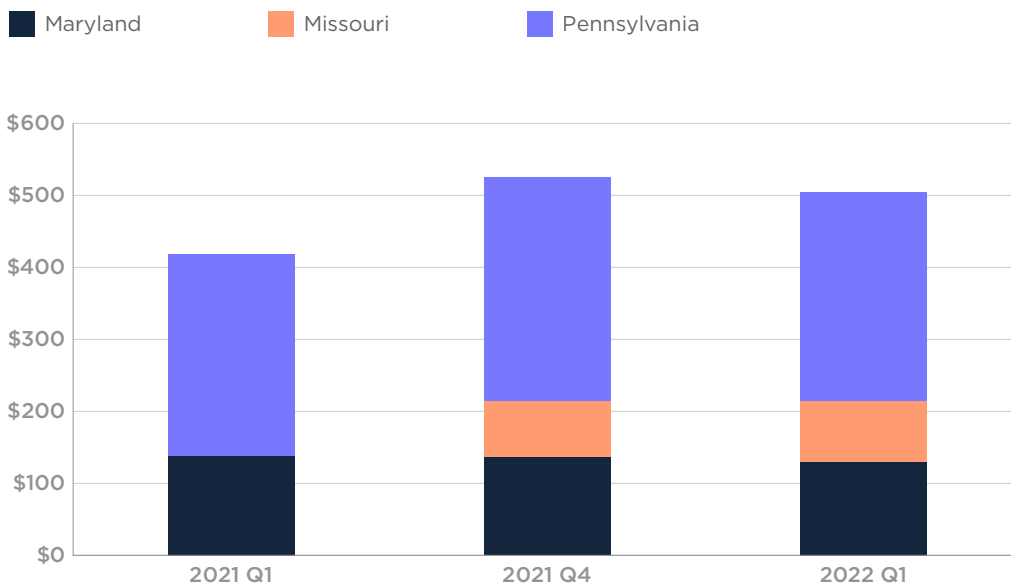
MD, MO and PA

As legacy adult-use markets began to show signs of slowing in 2021, many looked to newer, medical markets to be the primary drivers of growth in the cannabis industry going forward. While unit sales have remained strong across New Markets tracked by BDSA, sharp declines in average retail prices have led to dollar sales softening and even declining Compared to Q4 2021 in some of the most promising New Markets. However, sales were up ~20% compared to same period last year.

Across the New Markets of Maryland, Missouri and Pennsylvania, sales fell ~4% from Q4 2021 to Q1 2022. The largest decline came in the Pennsylvania market, which saw sales fall ~6% in Q1 2022. Still, sales in Q1 2022 were ~3% higher than in Q1 2021. The biggest driver of these declines was crashing average retail prices, though some of this is also likely driven by the small seasonal decline these markets historically see in February. Retail prices driving sales declines is clear in the case of the Maryland market, which saw dollar sales fall ~4%, while also seeing a ~3% increase in equivalent unit sales.

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Quarterly Dollar Sales: New Markets (Millions)



Source: BDSA Retail Sales Tracking; 2021-2022 MD, MO, PA