ESSENTIAL CANNABIS

INSIGHTS

AUGUST 2022 VOL 5, ISSUE 6

2022 CONSUMER INSIGHTS DEEP DIVE

Legal cannabis markets in the US are clearly in a transition phase, as the hockey stick growth that the industry saw since the launch of the first legal markets has begun to level off in 2022, with some of the biggest markets even seeing declines in legal sales for the first two quarters of the year. With that said, the big picture of where legal cannabis is going remains positive, as the newest markets continue to expand legal access, and mature markets still indicate potential for further growth in legal sales.

One indicator that there is still huge room for growth in legal cannabis is the massive expansion of consumer participation that we have seen across all legal markets. Per BDSA's Spring 2022 Consumer Insights data, adult-use legal states now have more than 50% of adults claiming past six-month cannabis consumption, an increase of ~7% since Fall 2021.

While crossing the milestone of 50%+ consumer penetration across all adult-use markets is significant, there are a host of other valuable insights that can be gleaned from BDSA's newest wave of Consumer Insights data.

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Almost 80% of adults in legal states have "bought in" to consuming cannabis, and the share of those who are not open to cannabis continues to shrink

Across adult-use markets, BDSA Consumer Insights from Spring 2022 show that 77% of adults either claim past six-month consumption, or claim to be open to consuming in the future. The continued warming of attitudes towards cannabis consumption across markets has been accompanied by a sharp drop in the share of those who are opposed to consuming (rejecters). Between Fall 2021 and Spring 2022, the share of rejecters fell ~15% to just 23%.

Barriers to Consumption Persist Among Rejecters, But Many Signal Openness to Future Consumption for Medical Needs

Among rejecters who report former cannabis consumption, the most cited reason for ceasing cannabis use is "I didn't like how it made me feel", with ~55% of rejecters citing this reason, while ~45% claimed to have ceased consumption because cannabis "does not fit my lifestyle". While these are hard barriers to expansion of consumption, ~25% of all rejecters say they would consider cannabis if a doctor recommended it, and ~20% cited that they would be open to consuming if they fell ill, and cannabis would relieve their symptoms.

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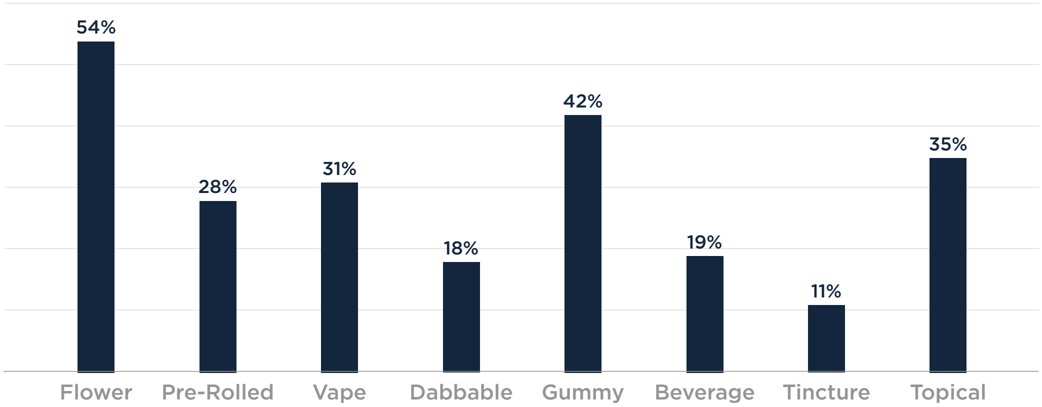
Lower percentages of consumption for all major categories indicates a decline in cross-consumption

BDSA's freshest Consumer Insights data show a decrease in claimed past six-month consumption across all major form factors. This could be an indication of consumers finding their niche and sticking to the products they enjoy most. Inhalables remain most popular with Edibles at a close second (though declining). Topicals are still far more niche and are also seeing the largest declines.

When we take a look at the major subcategories, Gummies, Vapes, and Flower are losing both penetration and preference at a greater rate than other categories; whereas Topicals despite having the strongest losses in penetration have increased their preference among those with interest in this more niche category.

Product Types Used by P6M Consumers (Adult-Use States)



Flower	Pre-Rolled	Vape	Dabbable	Gummy	Beverage	Tincture	Topical
-5.4	-2.9	-4.7	-0.2	-6	0.8	-2.6	-9.5

Point Changes vs. Q4 2021

Source: BDSA Consumer Insights Data, Adult-Use Markets, Spring 2022

Drivers of store choice are similar across medical and adult-use markets, but medical and adult-use consumers have different top priorities when it comes to store choice

Consumers in both adult-use and medical markets report the same top five drivers of store choice, but medical and adult-use consumers have different top priorities when it comes to choosing where to buy their cannabis. While medical consumers are most likely to prioritize trustworthiness, adult-use consumers are most likely to claim the convenience of a store location as their top driver of store choice. Overall, location convenience is declining as a driver, but this may simply be a result of increased convenience in most markets (delivery, online ordering, curbside pickup) and greater retail availability across all market types.

BDSA's Spring 2022 Consumer data also show price becoming more important across markets, likely due to economic challenges. The share of consumers in medical markets claiming "lowest prices" as a top driver of store choice rose ~4% between Fall 2021 and Spring 2022.

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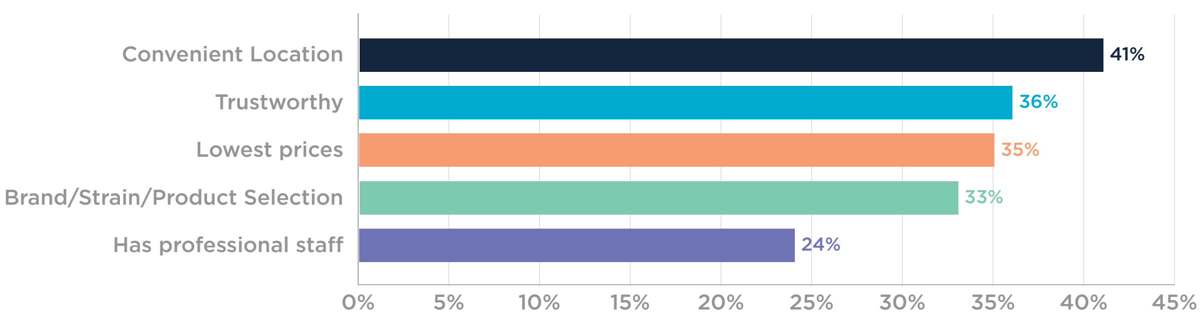
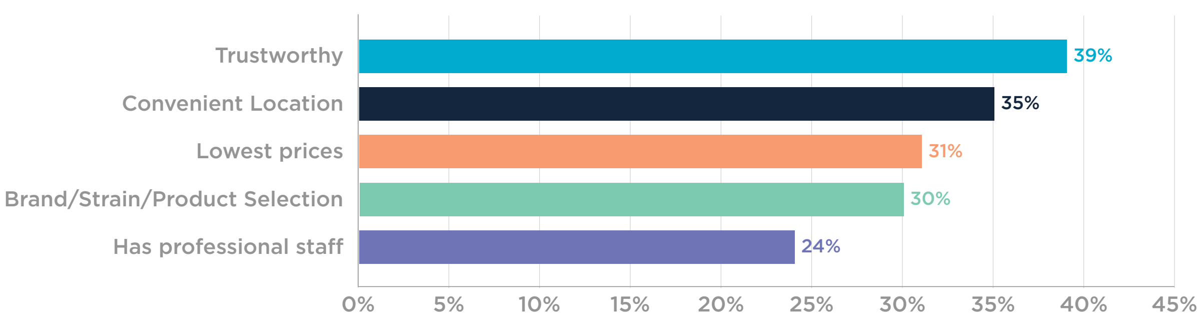
Top 5 Store Choice Drivers, Adult-Use States, Spring 2022



Source: BDSA Retail Sales Tracking, Spring 2022

Top 5 Store Choice Drivers, Medical States, Spring 2022



Source: BDSA Retail Sales Tracking, Spring 2022