The CBD Effect: The Present and Future of Cannabinoid Market

PRESENTED BY:
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CBD in Food & Beverages:

Market Overview:
Uncovering the Evolving CBD Consumer

Presentation by

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Legal Cannabis is a Game Changer

- Legal cannabis (hemp and marijuana) is new, cannabis is not
- Consumption is purposeful, multi-faceted, and complex
- Legal cannabis is and will continue to DISRUPT every consumer industry
- In the slow growth world of CPG, nothing is growing like this
- CBD in general retail presents huge growth, but the Dispensary channel (size and impact) cannot be ignored
- Constantly evolving—keep up
Legal
Cannabis is...
Growing
Majority Agree With Some Form of Legalization

\[ \approx 80\% \rightarrow 64\% \]

of US and CAN adults agree there should be some form of legal marijuana usage

in US agree marijuana has medical benefits

BDS Analytics Consumer Research Q1 2019: US adults 21+
BDS Analytics projects a global $41B market in 2024

The U.S. will continue to be the world’s largest market

Global Legal Regulated Cannabis Spending by region
($USD Billions)

Source: Arcview & BDS Analytics Cannabis Intelligence Briefing

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CBD is Exploding across Forms & Channels

AND Legal Cannabis is Not Just THC
Massive Confusion Exists Today

**Consumer Education is Necessary**

Only **22%** of U.S. 21+ population knows what cannabinoids are and can articulate the definition

BDS Analytics Consumer Research Q1 2019: US adults 21+
There are no differences in the effects of CBD or THC.

55% Incorrect or Don’t Know

from 63% in October 18

Any product containing hemp will cause effects such as feeling high, relaxed, sleepy, etc.

59% Incorrect or Don’t Know

from 61% in October 18
With cannabinoids like CBD crossing into General Retail, BDSA projects a $45B US Total Cannabinoid Market by 2024

USA Projected US Total Cannabinoid Revenues ($B)

- $11B in 2018
- $45B in 2024

- $25B THC cannabinoids in licensed dispensaries
- $5B Other cannabinoids in licensed dispensaries
- $13B Non-THC cannabinoids in general retail
- $2B Rx cannabinoids

Source: BDS Analytics CBD Market Monitor; BDS Analytics and Arcview Market Research
Legal Cannabis is...

Evolving
There are Consumers, Acceptors and Rejecters™ of Marijuana

Marijuana Acceptance is “Mainstream”

67%

38% Consumers
29% Acceptors

...of adults 21+ in Fully Legal U.S. States Consume Cannabis or are Open to Consuming Cannabis

~ 33% are Rejecters (would not consider in the future)
There is No ONE Cannabis Consumer

Cannabis Consumers Span:
- Generations
- Gender
- Socio & Economic Backgrounds
- Motivations
- Need States
- Benefits
- Premium / Luxury / Economy

Source: Greenercannabis.com
Marijuana Consumption is Multi-Purposed and Multi-Faceted

Health and Wellness Benefits of Cannabis and CBD are Not a Hemp-Derived Phenomenon

BDS Analytics Consumer Research across Cannabis Consumers: U.S. adults 21+ in Legal Level 1 States Q1 2019

71% Recreational & Social

56% Health or Medical

32% Consume for Recreational & Social and Health or Medical Reasons
The Impact of the Dispensary Channel is Relevant Across ALL Consumer Industries

Among Cannabis Consumers and any of the Following, the % of Consumers Who ‘DECREASED’ Consumption of that Category Due to Their Cannabis Consumption

- **Rx Medications**: 30% of U.S. adults consume cannabis to avoid Rx medications
- **OTC Medications**: 24% of U.S. adults consume cannabis to avoid OTC medications
- **Tobacco**: 24%
- **Liquor Spirits**: 23%
- **Beer**: 20%
- **Craft Beer**: 19%
- **Wine**: 17%

BDS Analytics Consumer Research across Cannabis Consumers: U.S. adults 21+ in Legal Level 1 States Q1 2019
15% of Adults 21+ in the U.S. Have Consumed Hemp-Derived Products Within the Past 6 Months

NOTE a Much Smaller Penetration than Marijuana in Fully Legal States (38% Consumers)

BDS Analytics Consumer Research across Cannabis Consumers: U.S. adults 21+ Q1 2019
U.S. General Market Hemp Consumer at a Glance

43 Average Age

55/45 Male / Female

64% City / Suburb

40% Married

40% College+

51% Employed FT

BDS Analytics Consumer Research across Cannabis Consumers: U.S. adults 21+ Q1 2019
U.S. General Market Hemp Consumer at a Glance:

Health + Medical Perceptions

86% agree marijuana has medical benefits

85% agree marijuana can relieve pain

~2/3 agree marijuana is safer and healthier than drinking alcohol

Top Ailments

1. Anxiety
2. Depression
3. Back Pain
4. Stress

BDS Analytics Consumer Research across Cannabis Consumers: U.S. adults 21+ Q1 2019
U.S. General Market Hemp Consumer at a Glance:

Product Selection

44% consumed organic foods or beverages in the past six months

LOOKING FOR BRANDS THAT ARE...

- 40% Local
- 33% Organic
- 37% Natural

LOOKING FOR PRODUCTS THAT ARE/HAVE...

- 37% No preservatives
- 36% Locally grown
- 36% Non-GMO
- 32% Organic

BDS Analytics Consumer Research: U.S. adults 21+ in Legal Level 1 States Q1 2019
Learn from Dispensary Channel

Consumers seek trust in the product, brand, and the experience

And they look to others for confirmation

Consumers are STRONGLY influenced by familiarity/recommendations...

- 54% It is something I have used before
- 44% Friend/Family Recommendation
- 44% Budtender Recommendation
Healthy Habits

- Getting enough sleep is essential: 62%
- Eating Right: 53%
- Being Physically Active: 52%
- Take Care of Themselves: 48%

- Go to a fitness center or gym at least weekly: 37%
- Do yoga or Pilates at least weekly: 33%
- Participate in outdoor recreation at least weekly: 32%

BDS Analytics Consumer Research across Cannabis Consumers: U.S. adults 21+ Q1 2019
Consumption of Hemp-Derived CBD Products is Predominately Health and Wellness Related

- Improve Quality of Life
- Treat or Manage a Health Problem
- Relieve Pain
- Sleep Better
- Improve Sense of Wellness
- Avoid Rx Medications

Reasons for Hemp-Derived Product Consumption
BDS Analytics Consumer Research across Cannabis Consumers: U.S. adults 21+ Q1 2019

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In the past six months...

Top Product formats:
- Oils and Tinctures
- Food (baked goods, candy, etc.)
- Inhalables (vape, e-cigarettes, etc.)
- First aid/ pain management (creams, salves, balms, etc.)
- Skin care
- Pills, capsules, tablets

78% consumed Ingestibles
22% consumed Inhalables
39% used Topicals

BDS Analytics Consumer Research across Cannabis Consumers: U.S. adults 21+ Q1 2019

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Learn from Dispensary Channel

Convenience of the Consumption Form is a Top 5 Influencer for Consumers

50% of Consumers are Largely Influenced by the Convenience of the Consumption Form When Choosing a Product

+67% Vape $ Sales

+28% Edibles $ Sales

Cannabis Source: BDS Analytics Consumer Tracker, US Level 1 States, Q1 2019
BDS Analytics GreenEdge Retail Sales Tracking Data
CBD Growth Will Largely Come From Edibles (Food, Candy, Beverages) and Topicals (Beauty, Skin, Wellness)

Projected U.S. Category Drivers of Growth ($B)

- **Edibles**: $1.8
- **Topicals**: $6.9
- **Pharmaceuticals**: $2.2
- **Sublingual**: $1.6
- **Inhalables**: $1.3
- **Pet Care**: $0.7
- **2024 Total**: $20.0

Projected U.S. Category Drivers of Growth ($B)
Source: BDS Analytics CBD Market Monitor and Arcview Market Research
Legal Cannabis is...

Everywhere
The Dispensary Channel Dominates CBD Product Sales Today and in the Foreseeable Future; The Channel Make-Up Evolves but the Size and Importance of Dispensaries Cannot be Ignored

Projected 2019: $4.1B
- Dispensary: 51%
- eCommerce: 14%
- Pharma: 14%
- Grocery: 4%
- Mass: 1%
- Natural/Vitamin: 5%
- Other: 3%
- Drug: 3%
- Convenience: 4%

Projected 2024: $20.0B
- Dispensary: 26%
- eCommerce: 18%
- Pharma: 11%
- Mass: 9%
- Grocery: 9%
- Natural/Vitamin: 8%
- Other: 7%
- Drug: 5%
- Convenience: 5%

BDS Analytics’ Projected U.S. CBD Market
Source: BDS Analytics CBD Market Monitor and Arcview Market Research

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Of Adults 21+ in FULLY legal cannabis markets...

16% Consume hemp products
38% Consume marijuana

BDS Analytics Consumer Research: US adults 21+ in Legal Level 1 States Q1 2019
Of Adults 21+ in FULLY legal cannabis markets...

*47% of Cannabis Consumers*

- 16% Consume Hemp-derived CBD
- 18% Consume Marijuana-derived CBD
Hemp-derived AND/OR Marijuana-derived CBD Consumers

26%

use hemp-derived and/or MJ-derived CBD

BDS Analytics Consumer Research: US adults 21+ in Legal Level 1 States Q1 2019

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Of CBD Consumers, there is substantial overlap

30% Hemp-derived
30% Marijuana-derived CBD
40%
Brands will and are playing across channels

CO Walgreens CBD assortment

TWO of eight SKUs in CO Walgreens are Select. Select Oil is the #1 brand in Dispensaries in the US, driven by Vape products, selling ~$210M in 2018.

CVS Online

CVS is selling CBD in eight states and has a distribution deal with Curaleaf (which spans 12 states, 48 dispensaries, 13 processing sites, and 14 cultivation sites).

Source: BDS Analytics Retail Sales Tracking, 2018 $ sales and 2019 YTD (June) $ sales

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CBD and Legal Marijuana

Same Primary Motivations, Different Priorities

- To relax
- To treat the symptoms of a medical condition
- To improve the overall quality of my life
- To make other activities more enjoyable
- To create a greater sense of well-being
- To enhance my creativity
- To enhance my concentration
- To enhance personal growth
- To enhance an appreciation for nature
- To ease withdrawal symptoms

Motivations for Use
IRI-MFour Cannabis Attitude and Usage Study, Feb. 2019

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IT’S A NEW GAME.
What does that mean for your business?

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