5th Annual Wine & Weed Symposium
Produced by Wine Industry Network
Cannabis Category Performance Review; Surviving and Thriving
10:00am – 10:45am

Kelly Nielsen
Vice President of Insights & Analytics / BDSA
CANNABIS CATEGORY
PERFORMANCE REVIEW:
SURVIVING & THRIVING

Kelly Nielsen
VP Insights & Analytics
KNielsen@BDSA.com
BDSA PROVIDES A COMPLETE VIEW OF THE GLOBAL CANNABINOID 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, size, behavior, consumption patterns, purchase habits, and more

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LEGAL CANNABIS IS...

Everyone


Rapid Innovation

Mainstream

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H owever, it is also...
RECAP AND BDSA MARKET OUTLOOK
MAJORITY AGREE WITH SOME FORM OF LEGALIZATION

87% of US adults agree there should be some form of legal marijuana usage.

64% in US agree marijuana has medical benefits.

*Source: BDSA Consumer Research: Q1 2021 U.S. Adults 21+*
REGULATIONS LOOSENING ACROSS THE U.S.

Fully Legal

Fully Legal - Adult Use Not Yet Available

CBD Legal

Medical Legal

Limited Medical

*Source: BDSA Updated June 2021
2020 FINISHED STRONG IN GLOBAL AND US MARKETS

BDSA Global Legal Cannabis
2019 vs. 2020 Sales ($)

+45%

BDSA US Legal Cannabis
2019 vs. 2020 Sales ($)

+48%

*Source: BDSA Forecast, as of February 2021

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2020 SALES TRENDS SIMILAR ACROSS BDSA TRACKED US MARKETS

NOTABLE exceptions—the impact of stricter COVID regulations in NV and MA and the evolution of the newly adult-use legal market in IL

2020 By State Sales ($)

- AZ: +43% YoY
- OR: +39% YoY
- NV: +17% YoY
- MD: 80% YoY
- CA: +20% YoY
- CO: +25% YoY

*Source: BDSA US Retail Sales Tracking
STOCK UP IN Q2 2020 BUT MORE TRANSACTIONS AS THE YEAR WENT ON

BDSA Basket Analytics: Daily Transactions &
Colorado Q1 2020 - Q2 2021

*Source: BDSA US Retail Sales Tracking
BOOMING US MARKET DRIVEN BY US ADULT-USE

BDSA U.S. Legal Cannabis Forecast (USD, Billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Medical</th>
<th>Adult-use</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$7.3</td>
<td>$10.2</td>
<td>$17.5B</td>
</tr>
<tr>
<td>2021</td>
<td>$9.1</td>
<td>$12.6</td>
<td>$22 B</td>
</tr>
<tr>
<td>2022</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2024</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2026</td>
<td>$10.0</td>
<td>$31.3</td>
<td>$41.3B</td>
</tr>
</tbody>
</table>

BDSA Top 2026 US Markets
1. California
2. Colorado
3. Florida
4. New York
5. New Jersey

*Source: BDSA Forecast, as of February 2021
EXISTING AND EXPANDING MARKETS WILL CONTINUE TO DRIVE U.S. LEGAL SALES GROWTH

BDSA US Legal Cannabis Forecast (USD, billions)

*Source: BDSA Forecast, as of February 2021
WITH MAINSTREAM CHANNELS OPENING, BDSA FORECASTS A $61B US TOTAL CANNABINOID (HEMP+MARIJUANA) MARKET IN 2026

*Source: BDSA Forecast February 2021 and CBD Forecast Spring 2021

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2021 IS SHOWING SUBSTANTIAL GROWTH

There has been substantial growth the first 6 months of the year in all BDSA tracked markets with year-over-year comparison; especially new Adult-Use markets such as Illinois, Massachusetts, Michigan, and Arizona.

*Source: BDSA Retail Sales tracking H1 2020 vs. H1 2021*
Dollar Share by Category H12021

- Concentrates (Including Vapes): 30%
- Edibles: 14%
- Flower: 42%
- Pre-Rolled: 9%
- Other: 0%

H12021 Growth vs. H12020

- Concentrates (including Vapes): +33%
- Edibles: +39%
- Flower: +37%
- Pre-Rolled: +60%

*Source: BDSA Retail Sales Tracking; Growth reflected across AZ, CA, CO, IL, MA, MD, NV, OR
US EDIBLES DOMINATED BY CANDY, DRIVEN BY GUMMIES

Dollar Sales Spend Edibles Category

CANDY
Gummie Candy 86%
Mints 5%
Taffy 5%
Hard Candy 4%
Caramel Candy 1%
Other Candy <1%

Q1 2021 Total Edibles
$ Growth vs. Q1 2020

+29%

*Source: BDSA Retail Sales Tracking; Growth reflected across AZ, CA, CO, IL, MA, MD, NV, OR

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US BEVERAGES DOMINATED BY DRINKS

US Beverage Sales (Dollars)

DRINKS
Carbonated Drinks 37%
Non-Carbonated Drinks: 34%

77%
10%
9%
4%

+60%
Q1 2021 Total Edibles
Growth vs. Q1 2020

*Source: BDSA Retail Sales Tracking; Growth reflected across AZ, CA, CO, OR, NV, MD, MA

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THE CONSUMER EVOLUTION
IN FULLY LEGAL STATES, ~75% OF ADULTS ARE “BOUGHT IN” TO CONSUMING

...of adults 21+ in fully legal U.S. states consume cannabis or are open to consuming cannabis

73%

43% Consumers
30% Acceptors

26% are Rejecters (would not consider in the future)

*Source: BDSA Consumer Research: Q1 2021 U.S. Adults 21+ in Legal Level 1 States
THE CONSUMER POPULATION, EVEN IN MATURE MARKETS, GREW IN 2020

Percent of Adult Population Who Are Cannabis Consumers = Past 6

<table>
<thead>
<tr>
<th>Level 1</th>
<th>Level 2</th>
<th>IL</th>
<th>MA</th>
<th>CA</th>
<th>CO</th>
</tr>
</thead>
<tbody>
<tr>
<td>38%</td>
<td>29%</td>
<td>26%</td>
<td>37%</td>
<td>37%</td>
<td>42%</td>
</tr>
<tr>
<td>43%</td>
<td>32%</td>
<td>38%</td>
<td>41%</td>
<td>45%</td>
<td>48%</td>
</tr>
<tr>
<td>43%</td>
<td>35%</td>
<td>39%</td>
<td>41%</td>
<td>47%</td>
<td></td>
</tr>
</tbody>
</table>

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 2019-1H 2021*
THE 'AVERAGE' CALIFORNIA CANNABIS CONSUMER IS EVOLVING

More Females

50/50 M/F

Spring 2020: 58/42 M/F

More Parents (or Guardians)

41% W/ KIDS

Spring 2020: 35% W/KIDS

Younge

r

44% <35YO

Spring 2020: 35% <35YO

Still City Dwellers...

84% CITY/SUBURBS

Spring 2020: 87% CITY/SUBURBS

*Source: BDSA Consumer Research: Q1 2021 vs Q1 2020 California Adults 21+
BUT THERE IS NO ONE CANNABIS CONSUMER

Cannabis Consumers Span:
- Generations
- Gender
- Socio & Economic Backgrounds
- Motivations
- Need States
- Benefits
- Premium / Luxury / Economy
UNDERSTANDING THE CONSUMER & NON-CONSUMER SEGMENTS

4 Non-Consumer Segments

- Complete Rejecters
- Cautious Medical Supporters
- Willing But Not Able
- Legally Limited

6 Consumer Segments

- Better Living Loyalists
- Socializers
- Recreationalists
- Medically Motivated
- Medical Misgivings
- Cannabis Advocates

**BETTER LIVING LOYALIST**

“I am a young, liberal male who lives in urban areas. I am an advocate for legalization and see the positive benefits it provides. I suffer from anxiety and believe cannabis can help me manage my anxiety and stress. I consume throughout the day to improve my quality of life. I also purchase frequently and buy products that are high in THC content.”

= 9% Of Consumers!

*Source: BDSA Consumer Segmentation Study: Q1 2021 US Adults 21+*
70% Consume Edibles

34% Prefer Edibles

*Source: BDSA Consumer Research: Q1 2021 U.S. Adults 21+ in Legal Level 1 States

OF CANNABIS CONSUMERS...
CROSS-CONSUMPTION IS VERY COMMON

OF INHALABLE CONSUMERS...

68%

Consume Edibles

TOP 3 FORMS

Gummie s

Baked Goods

Chocolate

*Source: BDSA Consumer Research: Q1 2021 U.S. Adults 21+ in Legal Level 1 States
CONSUMERS SEEK DIFFERENT BENEFITS BY PRODUCT FORMAT

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: Q1 2021 U.S. Adults 21+ in Legal Level 1 States
LEGAL CANNABIS IS...

Impacting BevAI
Evolving US Cannabis Beverages

Top Beverage Brand Q2 2021:

1. Keef Cola
2. Cann (CA)
3. PTS Tonic
4. Levia
5. Dixie

*Source: BDSA Brand-Level Retail Sales Tracking, Dollar Sales 2021: AZ, CA, CO, IL, MA, MD, OR, NV*
THE TOTAL BEVERAGE CANNABINOID INDUSTRY IS EXPECTED TO EXPAND

BDSA Cannabinoid Beverage Forecast (Billions USD$)

*$Source: BDSA Brand-Level Retail Sales Tracking, Dollar Sales 2021: AZ, CA, CO, IL, MA, MD, OR, NV
THE LONG-TERM IMPACT IS INEVITABLE

Half of all alcohol consumer now consume cannabis

*Source: BDSA Consumer Research: Q1 2021 U.S. Adults 21+ in Legal Level 1 States
## CANNABIS AND ALCOHOL ARE GOOD FOR...

<table>
<thead>
<tr>
<th>Different times of day or days of the week</th>
<th>Same times of day or days of the week</th>
<th>Both</th>
</tr>
</thead>
<tbody>
<tr>
<td>53%</td>
<td>14%</td>
<td>33%</td>
</tr>
</tbody>
</table>

*Note: No shift since Q1 2020*

*Source: BDSA Consumer Research: Q1 2021 U.S. Adults 21+ in Legal Level 1 States*
RISK OF CANNABIS AND ALCOHOL PAIRING

- **RISK**
  - 50%

- **PAIRING**
  - 14%
    - Frequently Pair

- **SUBSTITUTION**
  - 50%
    - Consume Less When Pairing

*Source: BDSA Consumer Research: Q1 2021 U.S. Adults 21+ in Legal Level 1 States*
PAIRINGS IS TYPICALLY A SMALL GROUP (OR SOLO) OCCASION

When consuming alcohol and marijuana together, you are...

*Source: BDSA Consumer Research: Q1 2021 U.S. Adults 21+ in Legal Level 1 States*
RISK OF CANNABIS AND ALCOHOL PAIRING

Unwind Time
Daytime Fun
Just Hanging Out

Risks
1-PAIRING
2-SUBSTITUTION

50% RISK

*Source: BDSA Consumer Research: Q1 2021 U.S. Adults 21+ in Legal Level 1 States
Legalization explodes in the next year—hCBD and Regulated Cannabis

Innovation...
... Will continue at an extremely rapid rate
... Will become more sophisticated & targeted
... Will incorporate new technologies & cannabinoids

Consolidation Accelerates—the Big get Bigger

E-commerce is here to stay

More Mainstream “Non-Cannabis” Companies Become Cannabis Companies
IT’S A NEW GAME.

DATA. DEEPER.

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George Petersen Insurance
House of Saka
Mendocino Experience
/ Green Dream Tours
National Storage Tank
NorthBay Equipment Service & Sales
Sensi Mag - NorCal
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