

CBD and Cannabis: The State of the Industry

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We welcome your questions! In the GoToWebinar Control Panel, type in any questions you have for the speaker in the questions box under the questions tab.

Notice

This presentation is based solely on an analysis conducted by Management Science Associates Inc. (MSAi) and does not necessarily reflect the opinion of any client. The definitions and analysis used in the presentation are based on general industry knowledge and typically represent the way a tobacco retailer may refer to the broad tobacco and nicotine delivery industry. Further, this presentation refers to tobacco and non-tobacco categories, that are often reported as cigarette only, cigars and pipe tobacco only, loose leaf only and electronic and other delivery systems only.

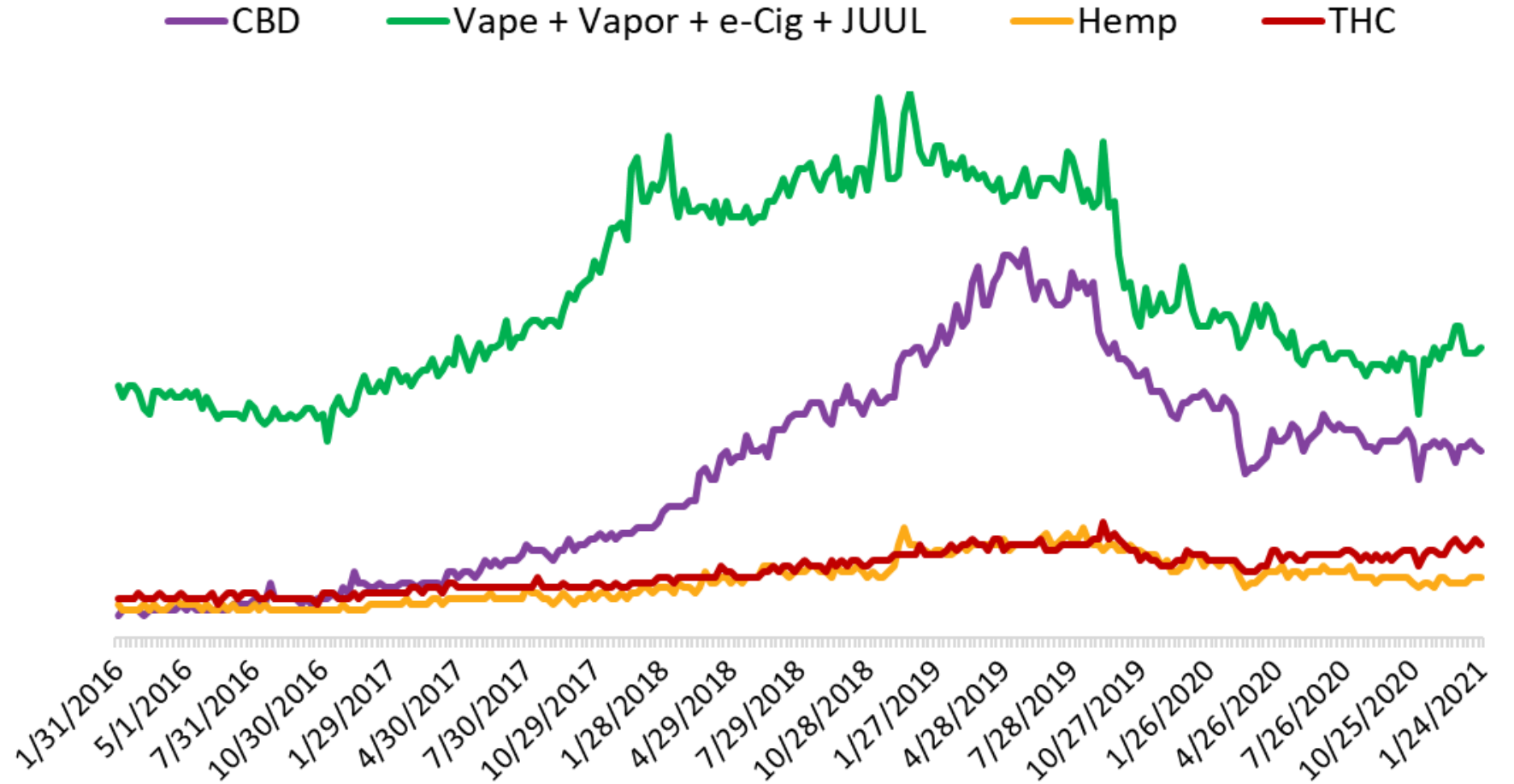
For purposes of this presentation, all of these categories are often referred to as one category using the phrase “nicotine delivery systems”, as that is a category grouping, that in MSAi’s experience, is used by most retail establishments. This presentation’s reference to “nicotine delivery systems” is in that context of the broadest retailer categorization of these various items.

Agenda

- Google Search Trends
- Cannabis Dispensary Trends
- Brick & Mortar vs. E-Commerce
- CBD Volumetric Data – Impact of Pandemic
- CBD Sales by Region & State
- CBD Trends by Class of Trade
- Alternative Products

Google Search Trends

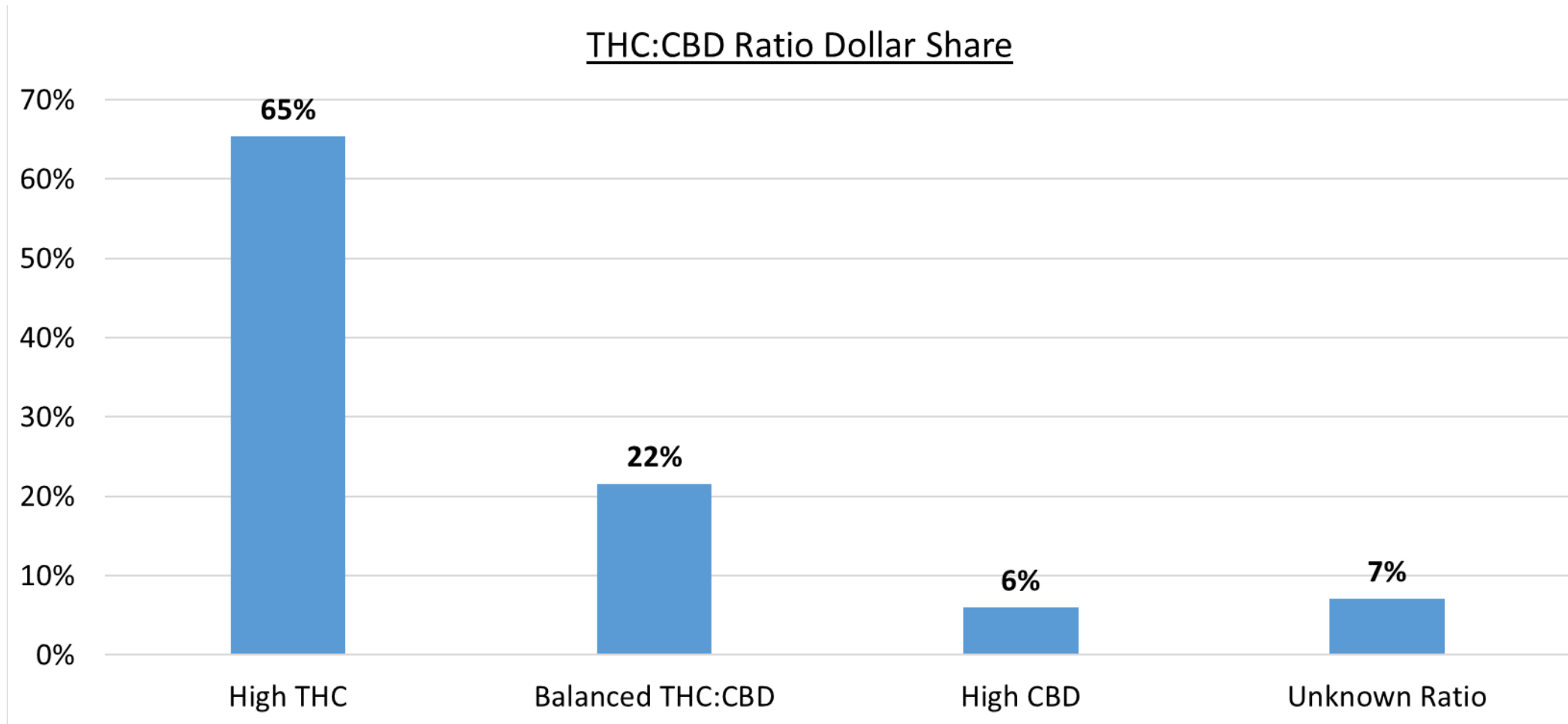
Google Search Trends





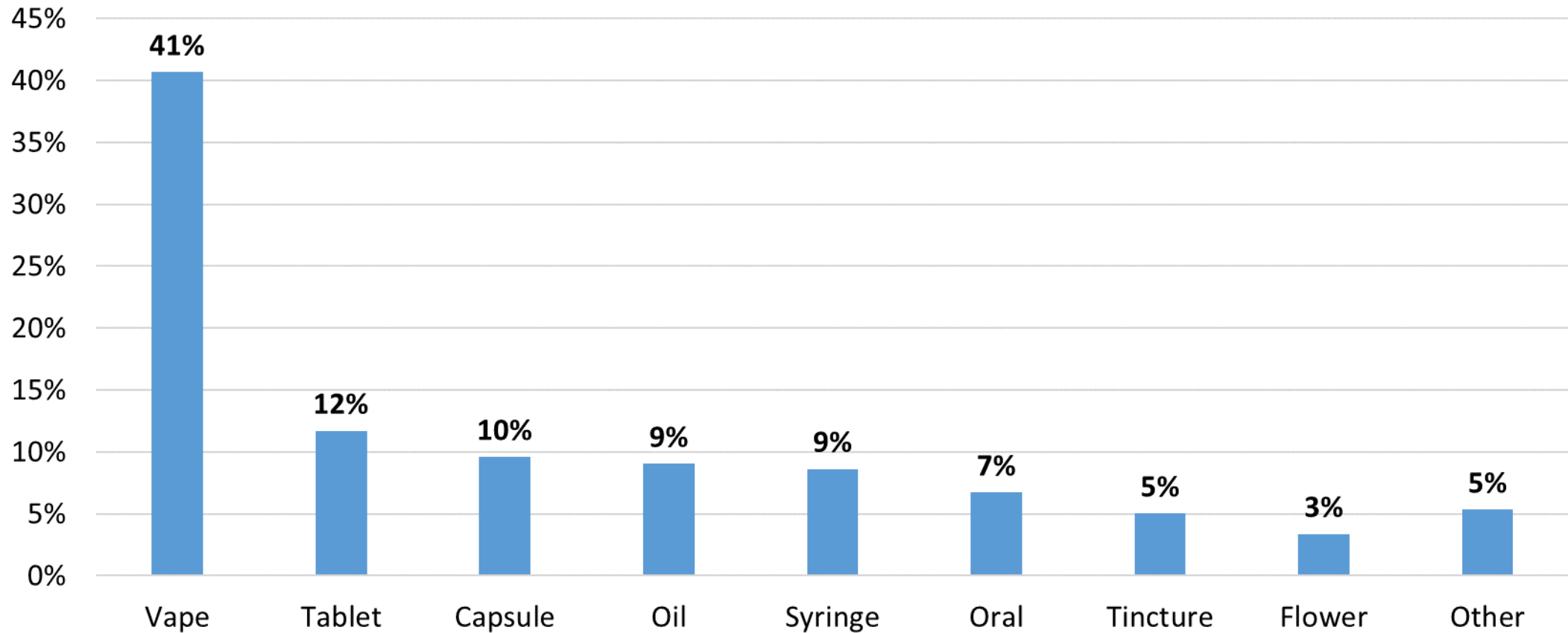
Cannabis Dispensary Data – 2016 through 2022

THC:CBD Ratio Dollar Share



Product Form Dollar Share

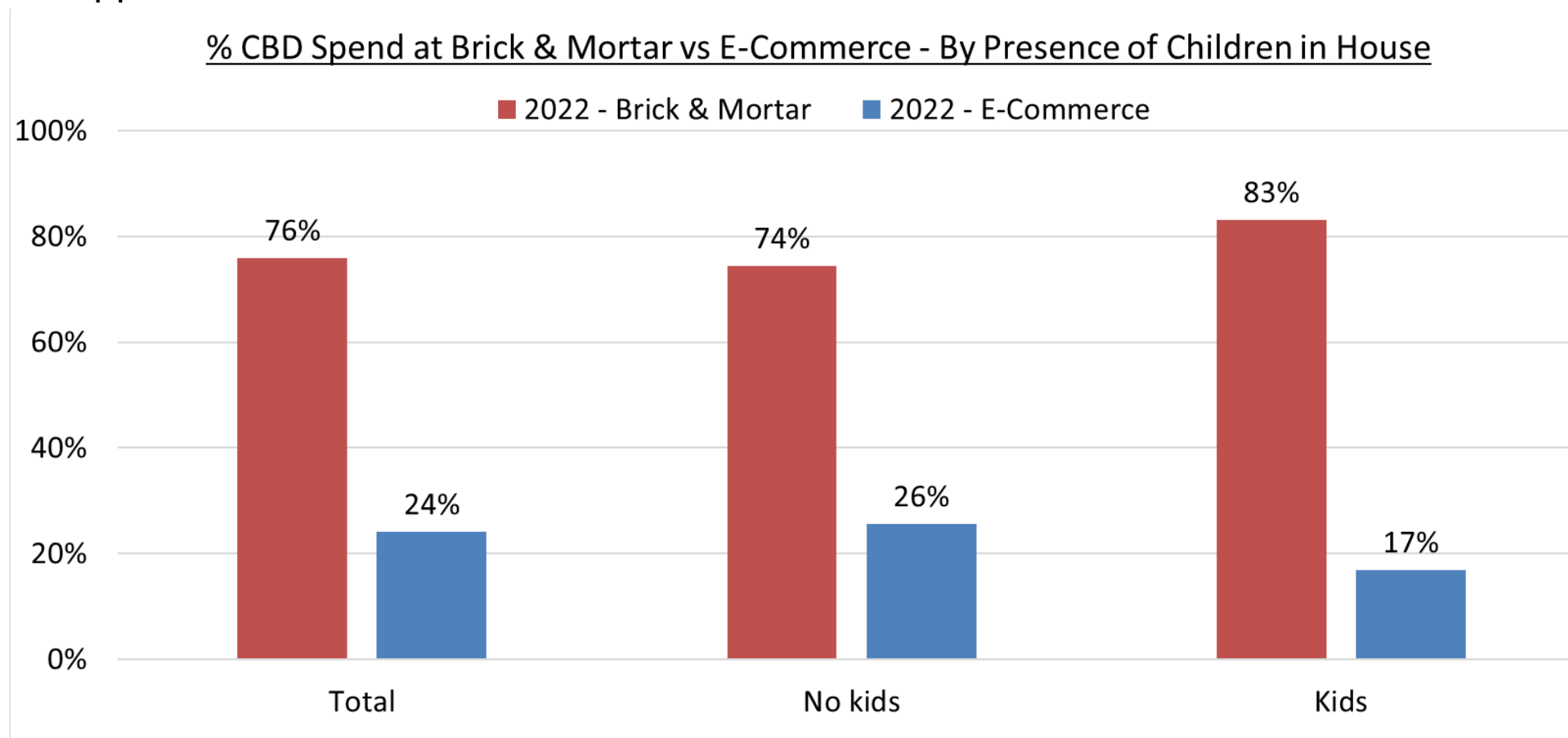
Dollar Share by Product Form



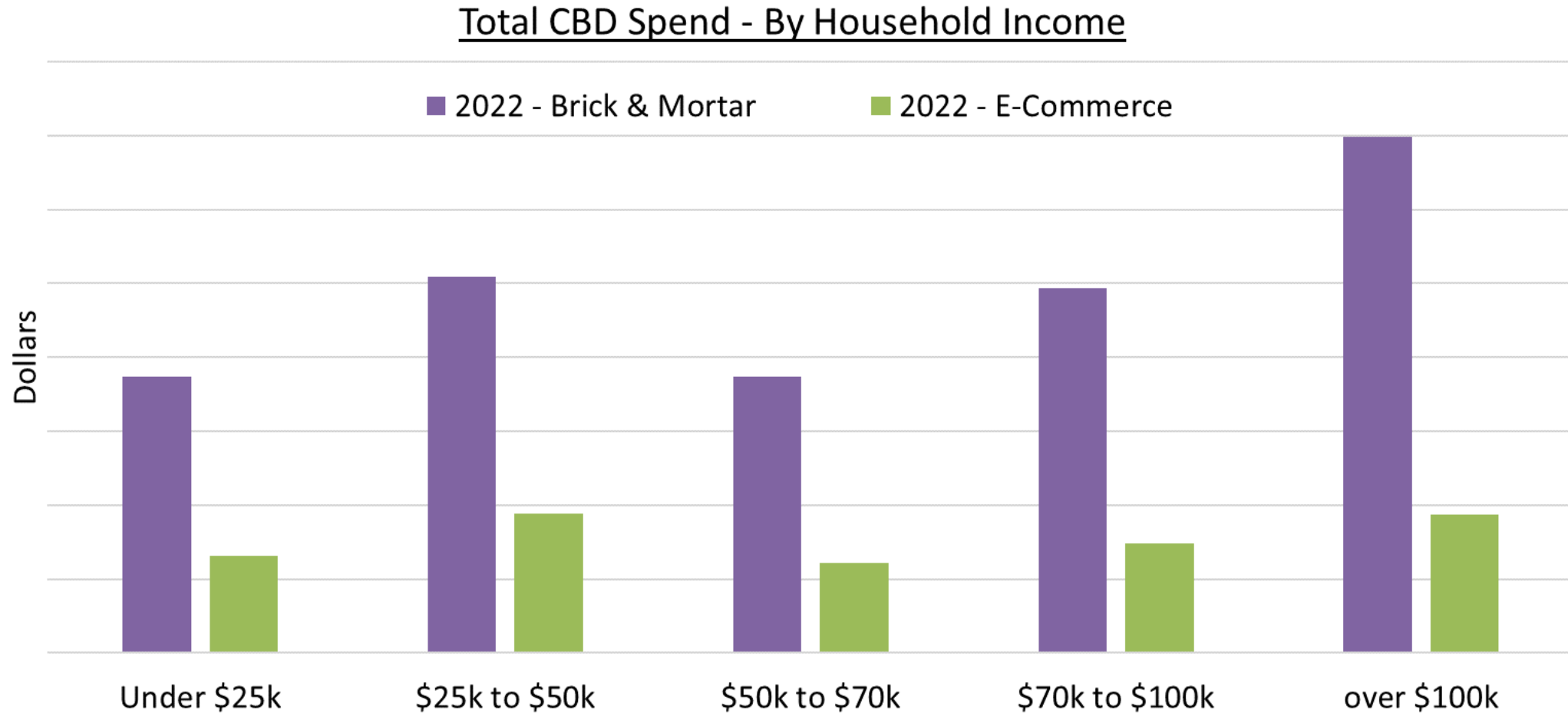
CBD Survey Data 2018 – 2022

CBD Brick & Mortar vs. E-Commerce

- Higher CBD spend at Brick & Mortar for shoppers with kids and higher CBD spend at E-Commerce for shoppers with no kids.



CBD Brick & Mortar vs. E-Commerce

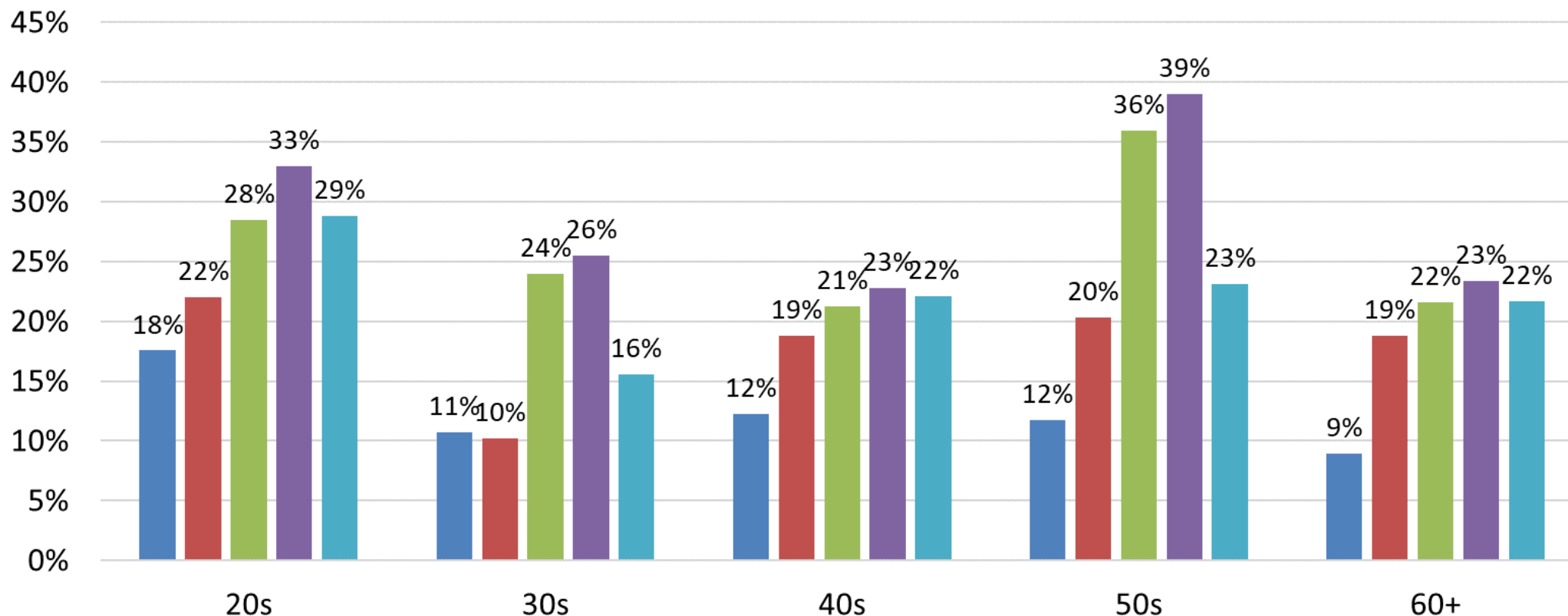


CBD E-Commerce Spend by Age

- Large jump in 2020-2021 (due to pandemic). Since then, % CBD E-Commerce has dropped significantly only for shoppers in their 30s and 50s

% CBD Spend (E-Commerce) - By Age

■ 2018 ■ 2019 ■ 2020 ■ 2021 ■ 2022



CBD Volumetric Data



Distributor Shipments to Store Data

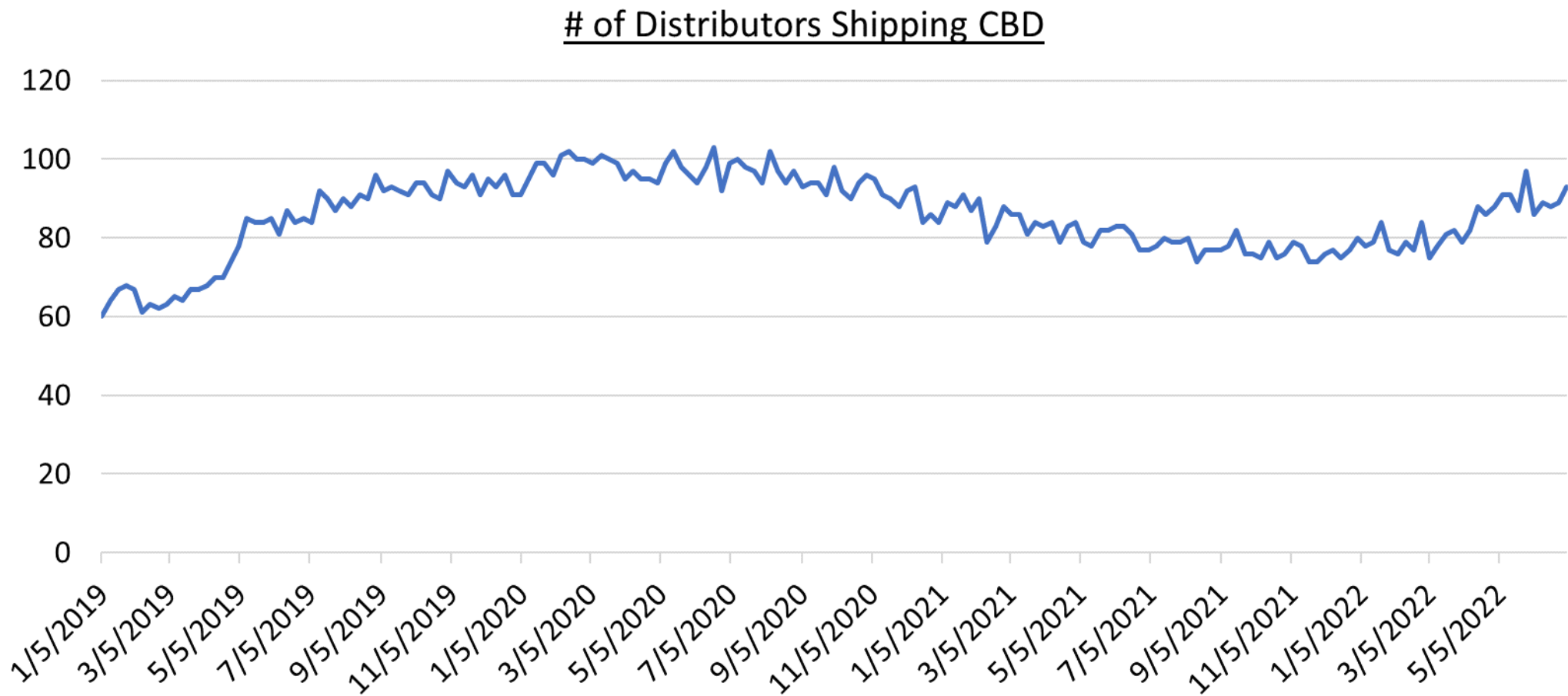
~50 Distributor Participants

15 of Top 21 U.S. Wholesalers

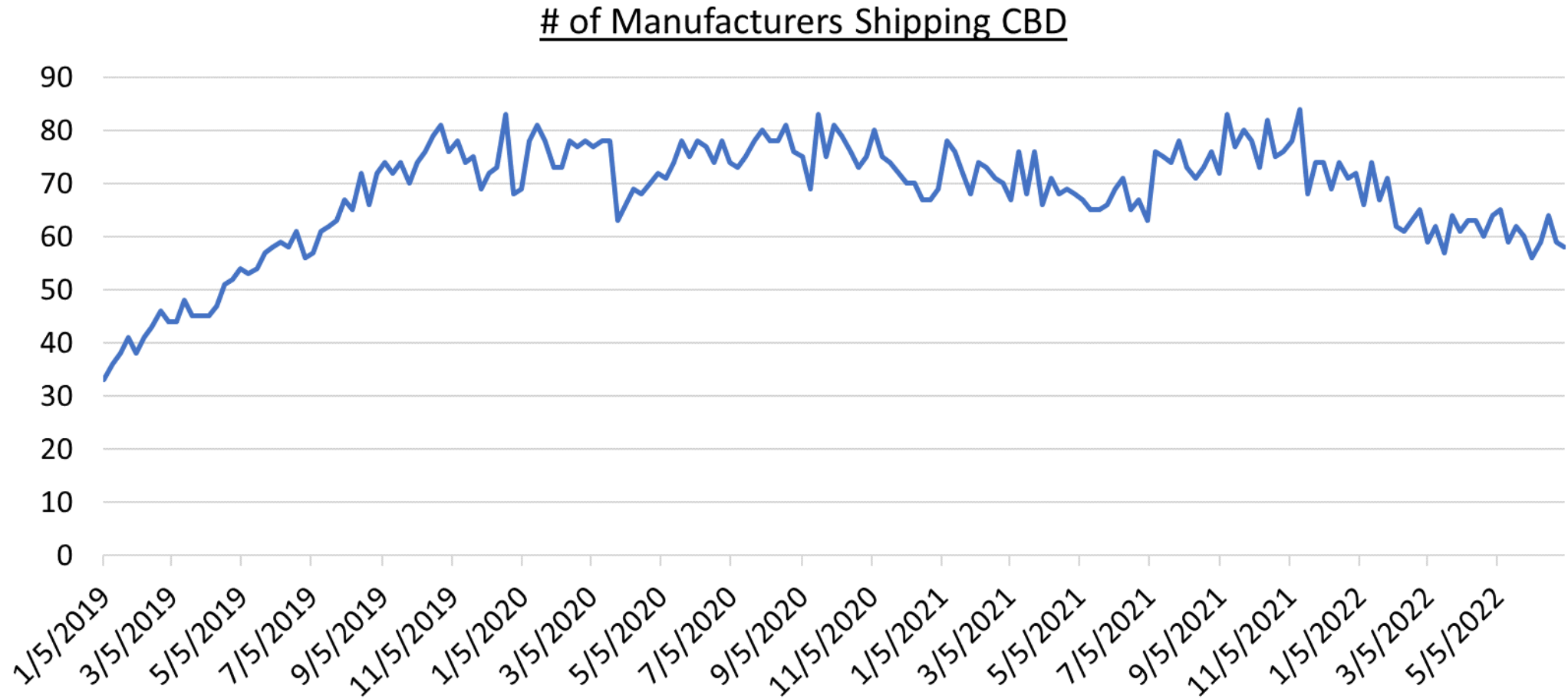
30+ NACS Categories

Percentage of Distributors

- The number of reporting distributors shipping CBD products each week.

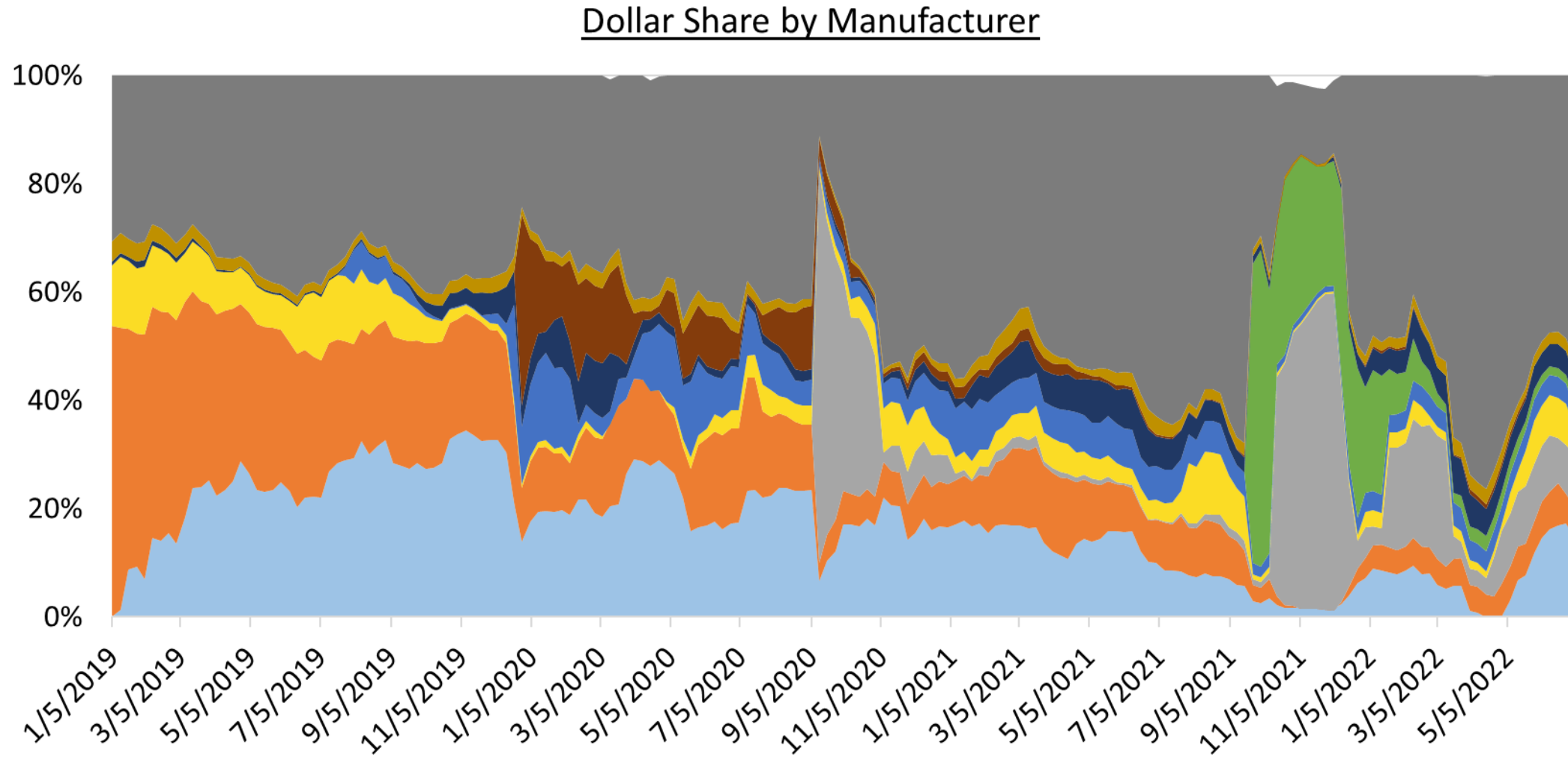


Number of Manufacturers Shipping CBD each Week



Top CBD Manufacturers

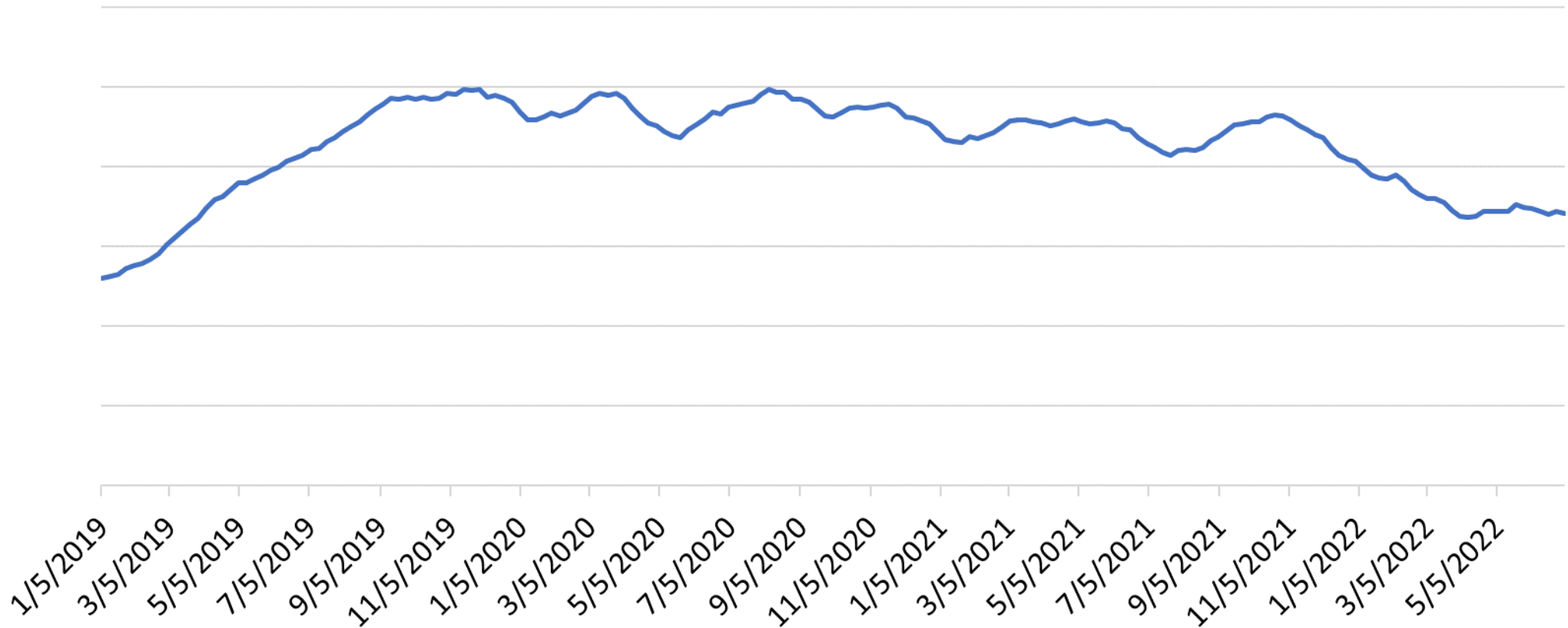
- The Top 2 CBD manufacturers made up around 55-60% share in 2019, but in 2020 and beyond, some newer manufacturers gained share.



CBD Item Count

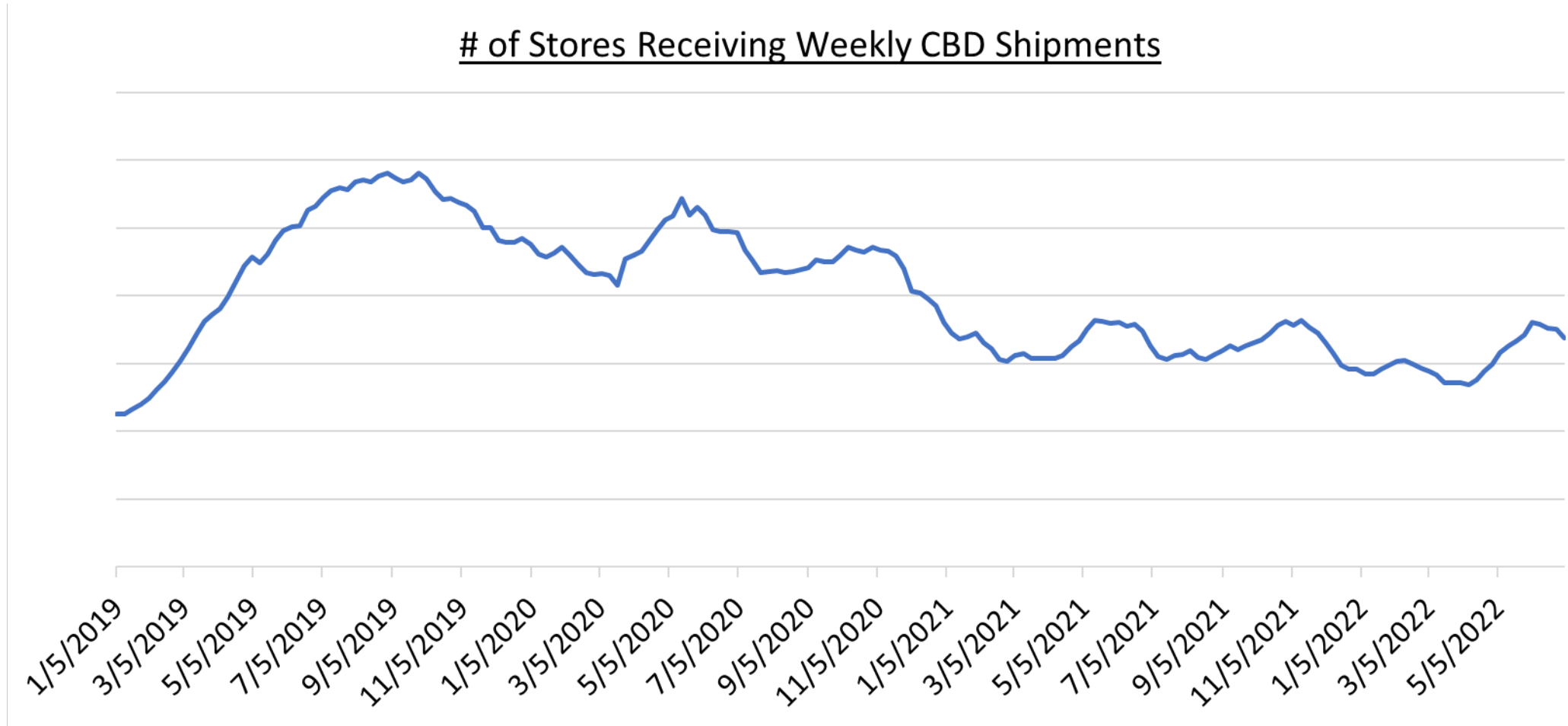
- The number of unique items in the CBD category remained mostly stable since 2020 but on a downward trend since the start of 2022.

Number of Unique Items



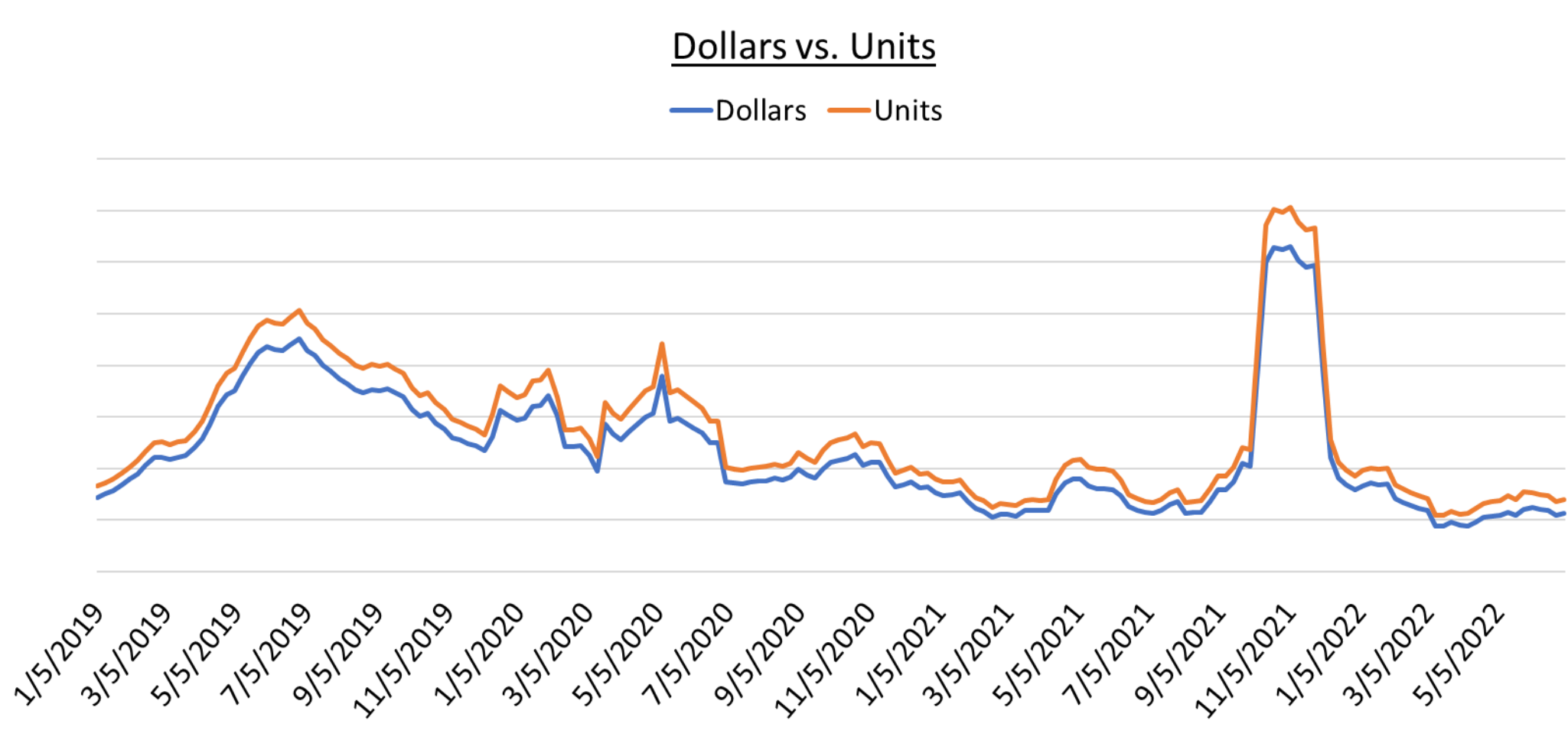
Stores Receiving CBD Shipments

- The number of stores receiving CBD shipments has been overall decreasing since 2020.



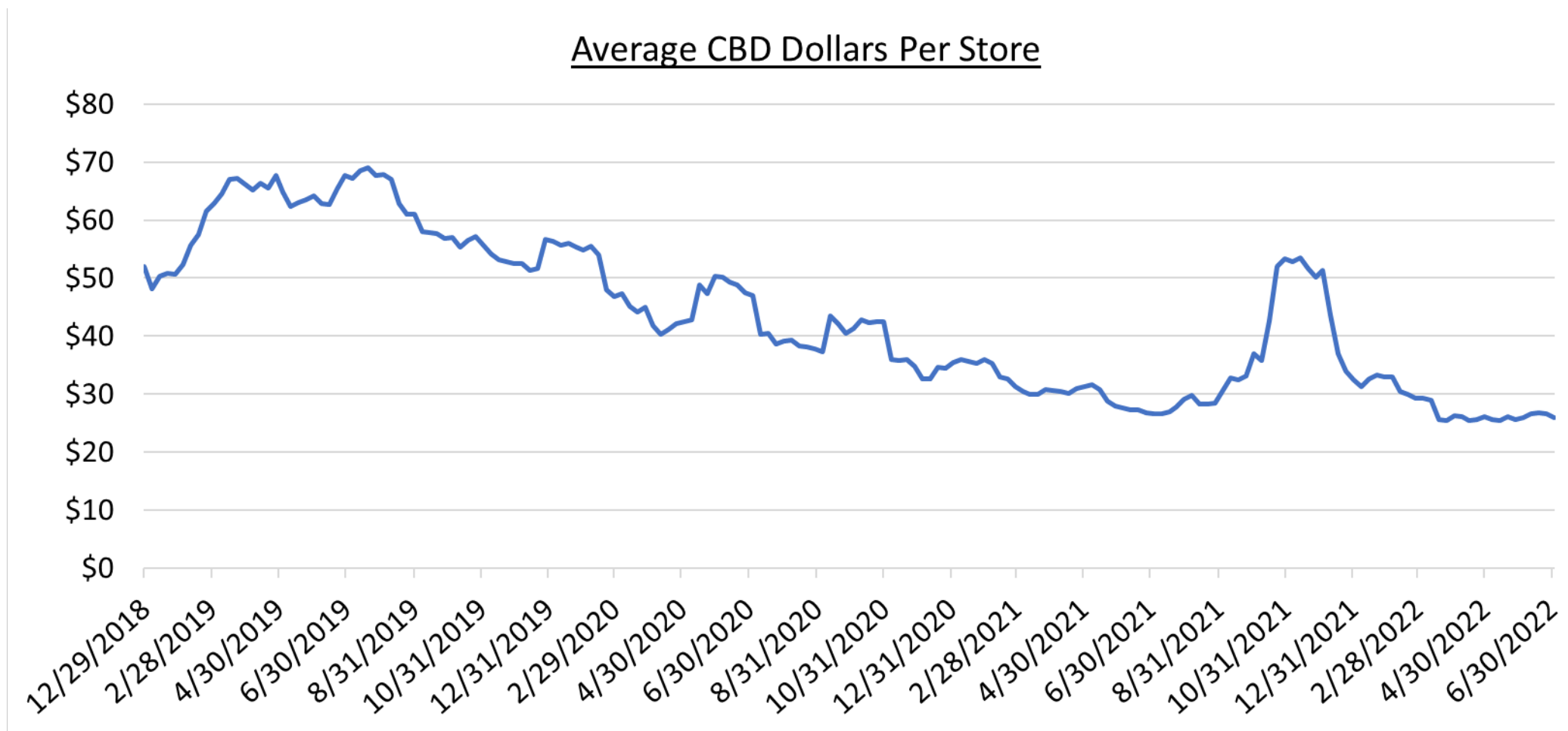
Weekly CBD Dollars vs Unit Sales Trends

- Dollars and Unit Sales had been down, with a quick surge at the end of 2021. Since then, both are down.



CBD Dollars per Store per Week Trend

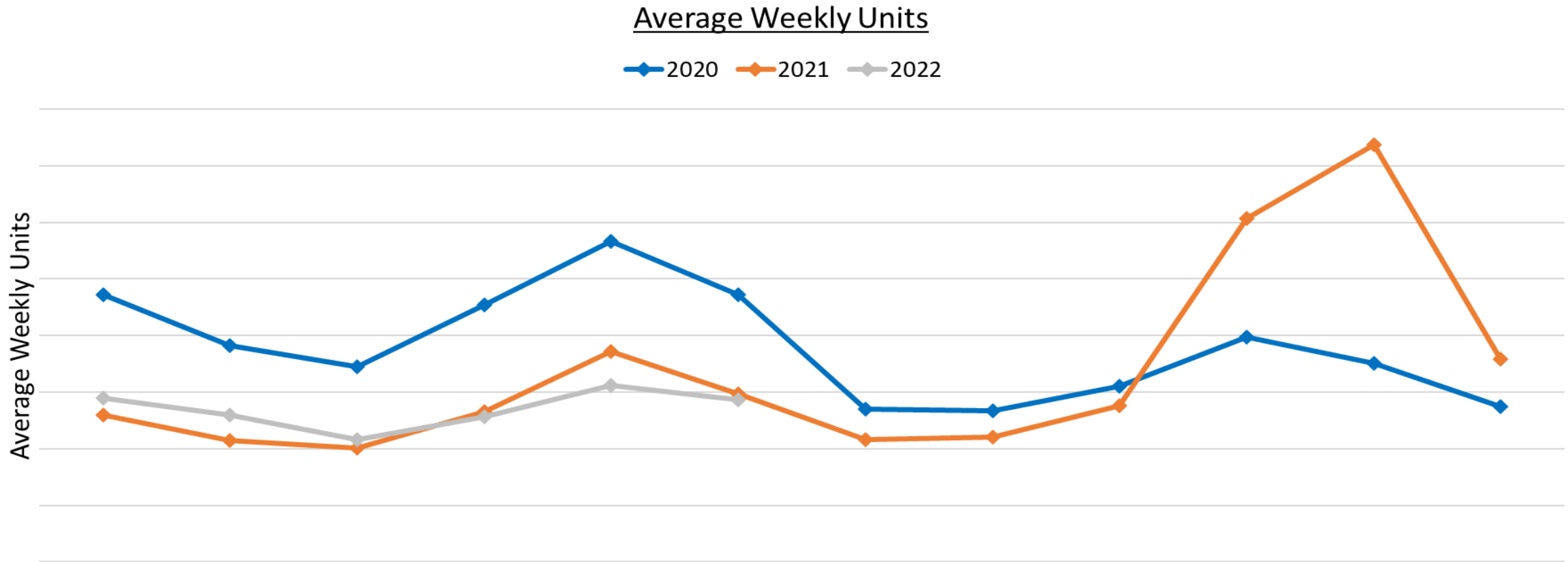
- Dollars per store has shown a slight downward trend over time, apart from a quick surge at the end of 2021. Since, Dollars per store are continuing the downward trend.



Impact of Pandemic

CBD Unit Sales YOY Trends

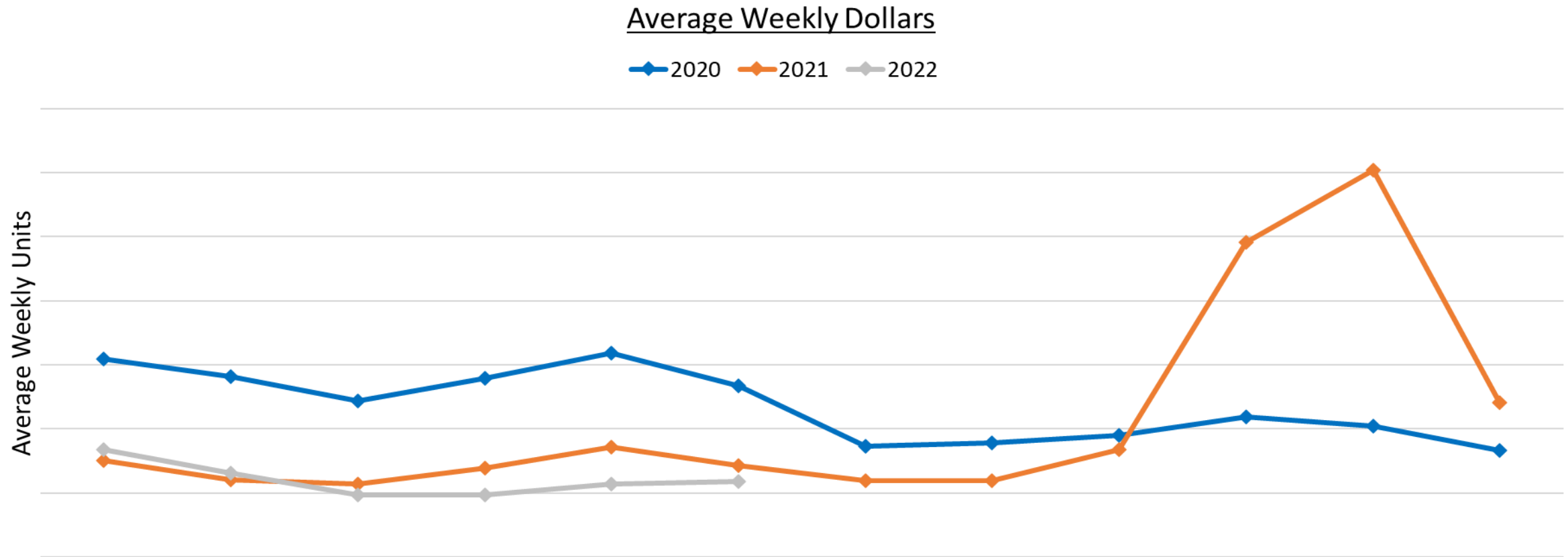
- CBD Unit Sales had a temporary resurgence in late 2021, but dropped low again, and has stayed low in 2022.



YOY	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
'21 v '20	-45%	-44%	-42%	-42%	-34%	-37%	-20%	-17%	-11%	91%	110%	4%
'22 vs '21	39%	21%	-14%	21%	-16%	-23%						

CBD Dollars YOY Trends

- CBD Dollars had a temporary resurgence in late 2021, but dropped low again, and has stayed low in 2022.



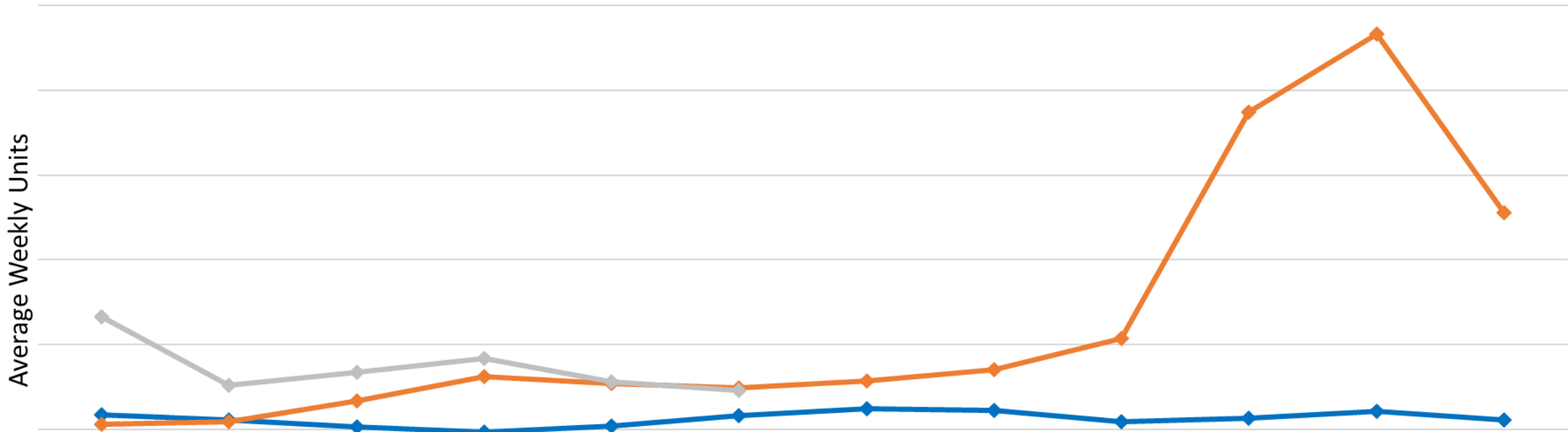
YOY	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
'21 v '20	-51%	-57%	-53%	-50%	-46%	-47%	-31%	-33%	-12%	181%	196%	16%
'22 vs '21	39%	10%	-31%	-13%	-34%	-34%						

CBD Vape Dollars YOY Trends

- After a quick increase in Q4 of 2021, 2022 Vape Dollars are have started off strong and we are seeing similar levels to 2021.

Vape - Average Weekly Dollars

2020 2021 2022

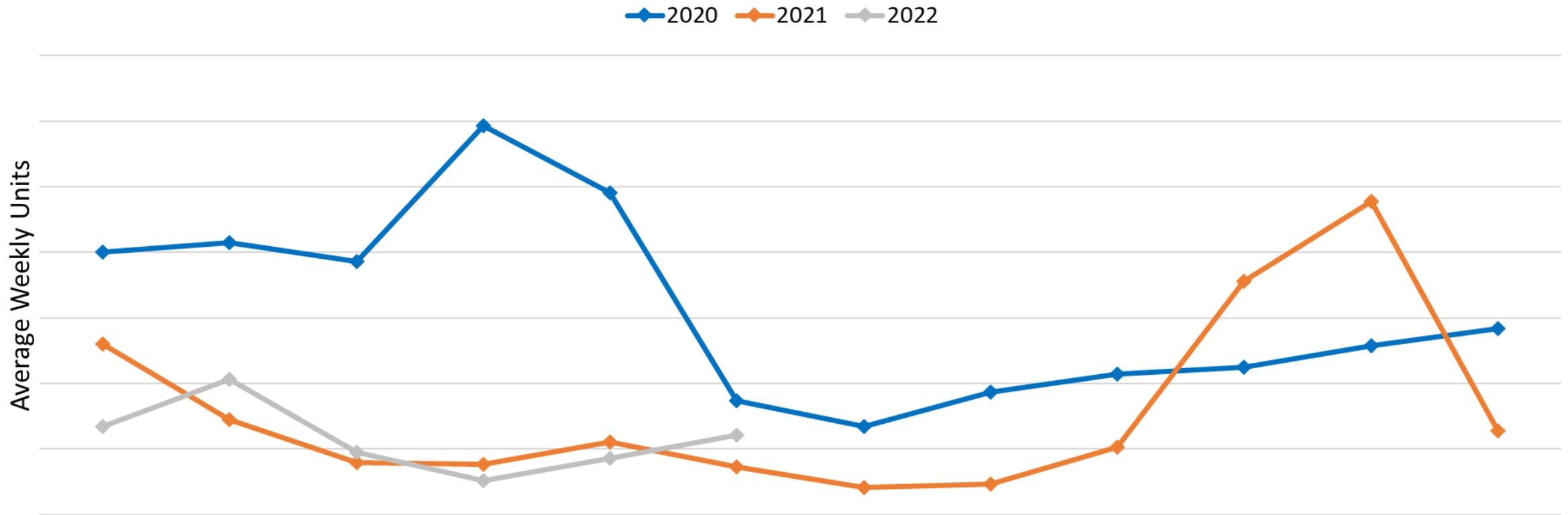


YOY	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
'21 v '20	-62%	-14%	+++	+++	+++	+++	136%	+++	+++	+++	+++	+++
'22 vs '21	+++	+++	58%	67%	4%	-25%						

CBD Topicals Dollars YOY Trends

- Topicals Dollars have been declining with a sudden increase at the end of 2021. So far in 2022, Topicals Dollars are showing similar levels to 2021.

Topicals - Average Weekly Dollars

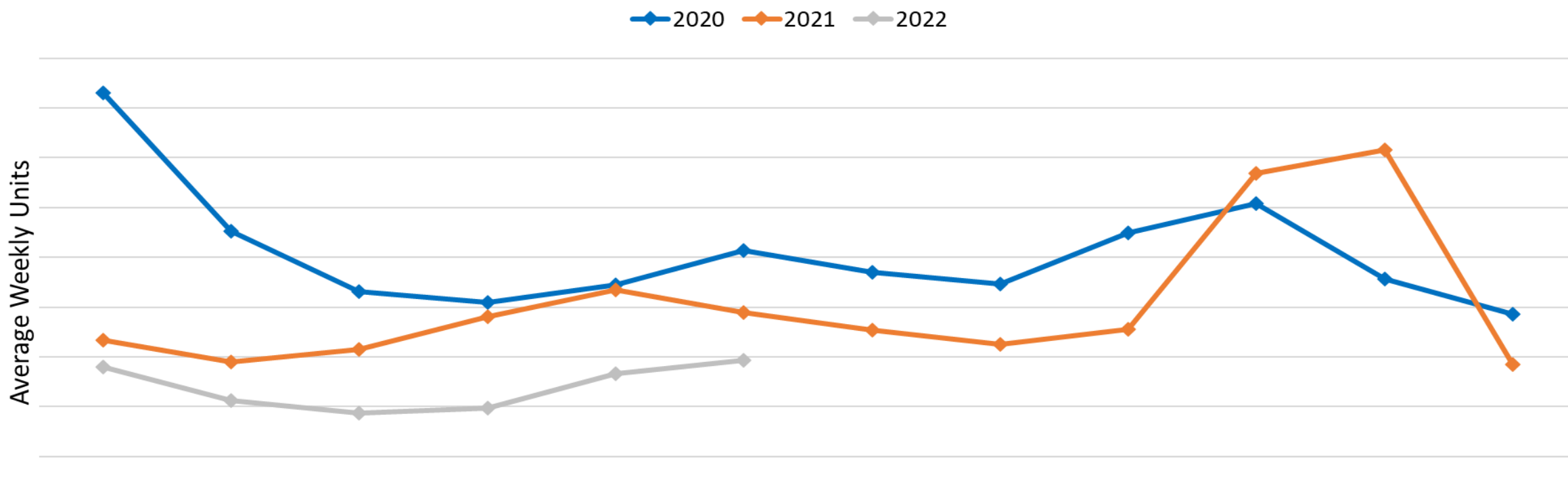


YOY	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
'21 v '20	-35%	-65%	-79%	-87%	-77%	-58%	-69%	-75%	-52%	98%	85%	-64%
'22 vs '21	-36%	43%	-4%	-14%	-22%	35%						

CBD Gummies Dollars YOY Trends

- Gummies Dollars have consistently been decreasing since 2020, with the exception of a sudden increase at the end of 2021. After sales started to decrease again in December 2021, they have continued this trend.

Gummies - Average Weekly Dollars

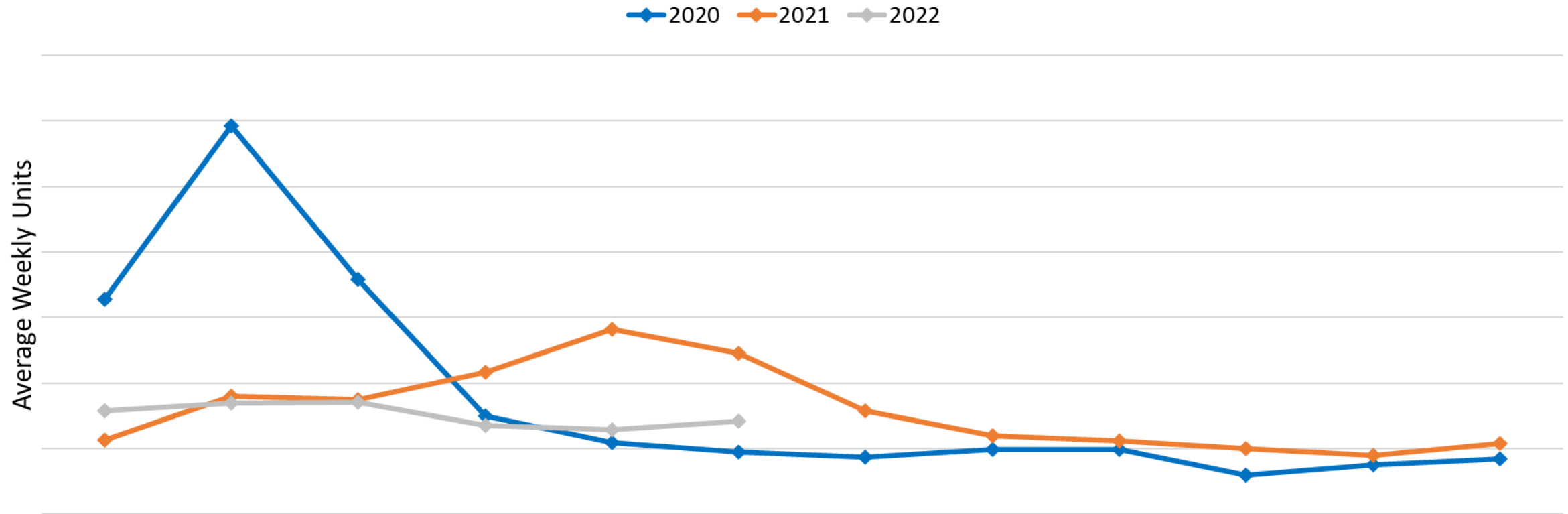


YOY	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
'21 v '20	-60%	-47%	-27%	-7%	-2%	-24%	-25%	-27%	-35%	37%	57%	-41%
'22 vs '21	5%	-27%	-52%	-35%	-39%	-40%						

CBD Moist/Snuff Dollars YOY Trends

- Moist/Snuff Dollars showed signs of recovery mid-2021, then began a downward trend. In 2022, sales have continued to decrease to 2020 levels.

Moist/Snuff - Average Weekly Dollars

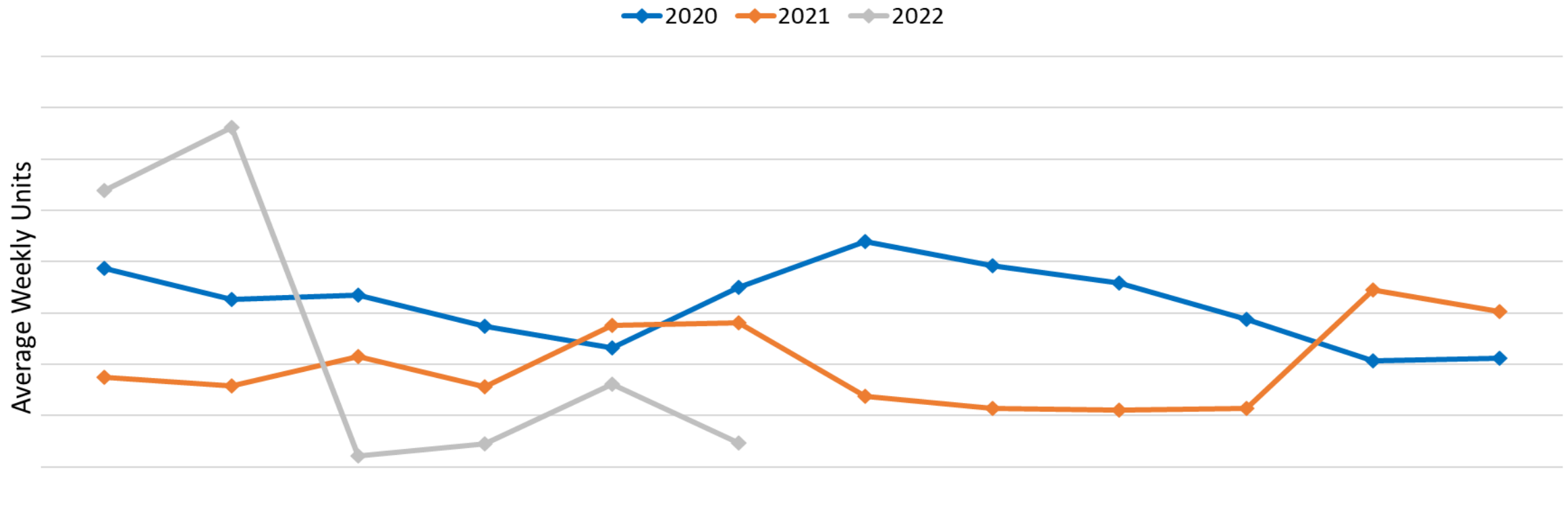


YOY	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
'21 v '20	-66%	-70%	-51%	45%	159%	158%	81%	21%	14%	111%	20%	3%
'22 vs '21	75%	-6%	-22%	-22%	-54%	-54%						

Hemp Smokes Dollars YOY Trends

- Hemp Smokes Dollars ended 2021 with fairly stable levels similar to 2020. In 2022, sales started off extremely strong, only to drop to lowest levels yet in March.

Hemp Smokes - Average Weekly Dollars

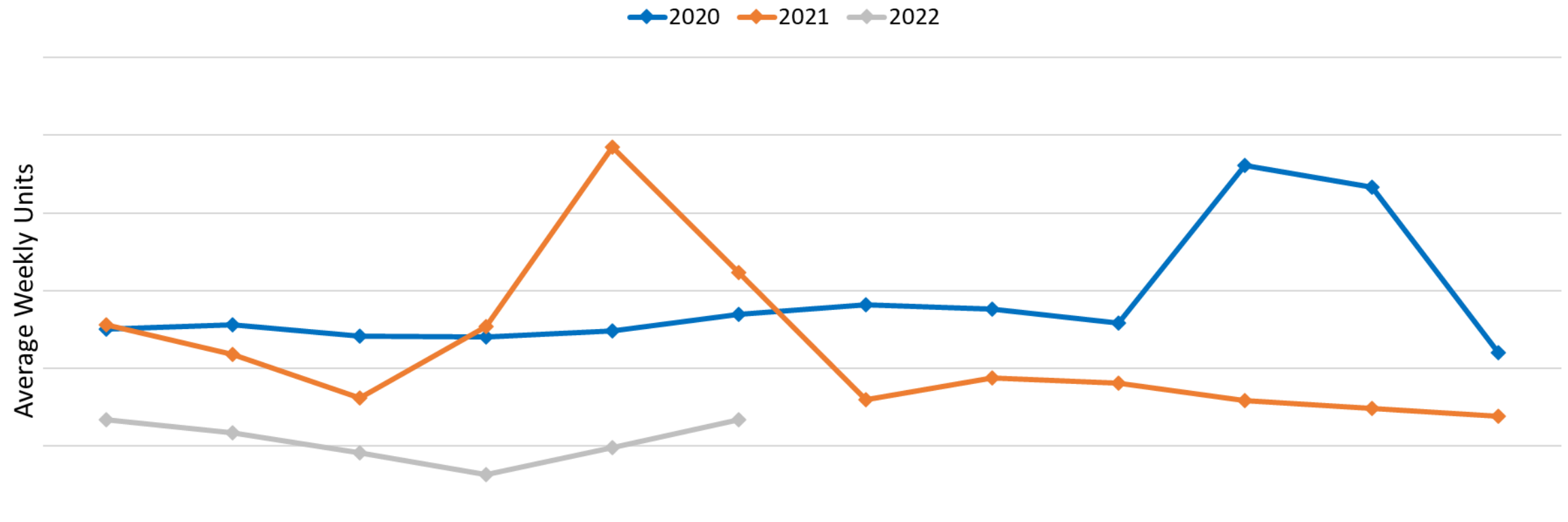


YOY	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
'21 v '20	-44%	-39%	-28%	-32%	13%	-15%	-56%	-56%	-54%	-31%	45%	3%
'22 vs '21	190%	195%	-69%	-29%	-31%	-69%	-	-	-	-	-	-

CBD Beverage Dollars YOY Trends

- Beverage Dollars have fared a bit better than other CBD forms, with 2021 levels more on par and even above early 2019 and 2020, although sales have trended down the past couple of months. So far in 2022, sales are lowest yet.

Beverage - Average Weekly Dollars

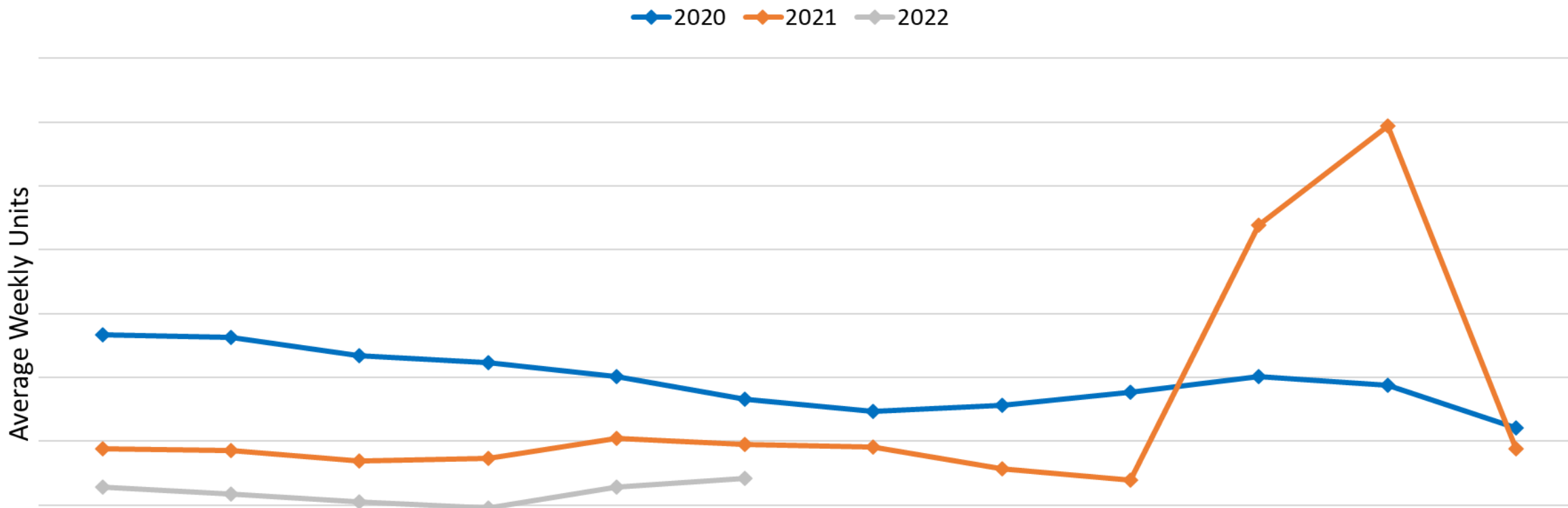


YOY	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
'21 v '20	2%	-15%	-33%	6%	96%	20%	-43%	-32%	-30%	-57%	-66%	-50%
'22 vs '21	-35%	-46%	-55%	-69%	-80%	-67%						

CBD Tinctures Dollars YOY Trends

- Tinctures Dollars were fairly stable throughout 2020 and 2021, besides the quick jump like we've seen in other CBD forms. 2022 sales are significantly down.

Tinctures - Average Weekly Dollars

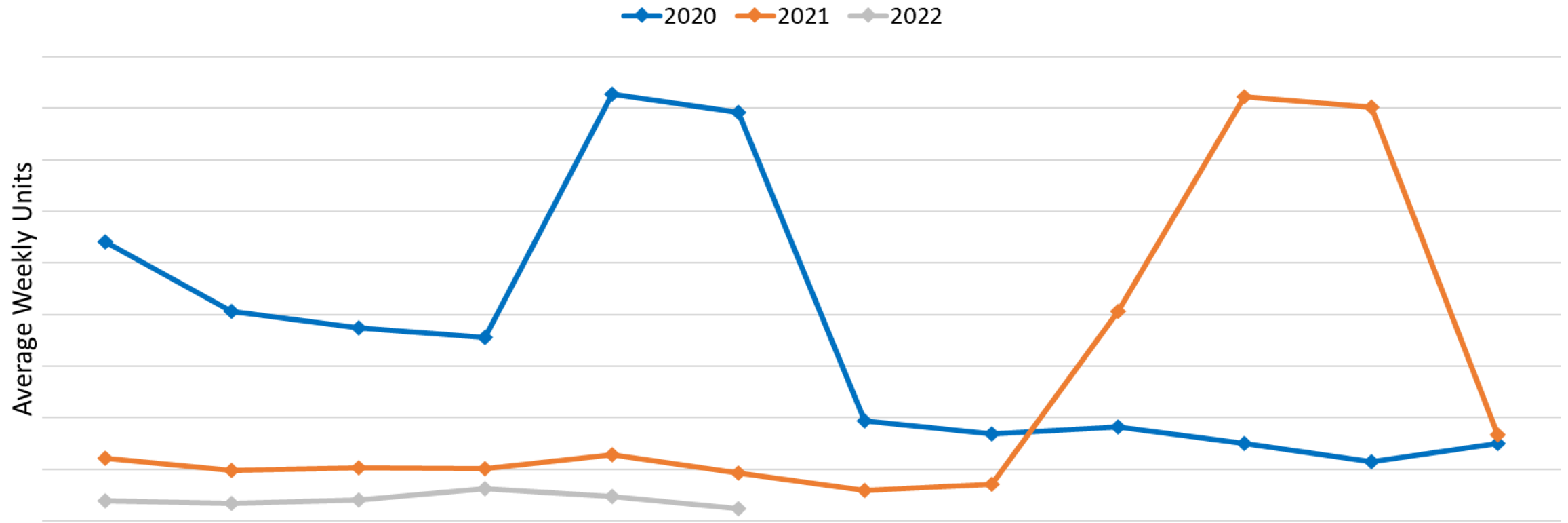


YOY	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
'21 v '20	-67%	-68%	-70%	-67%	-48%	-43%	-38%	-64%	-78%	172%	+++	-42%
'22 vs '21	-60%	-80%	-94%	-108%	-73%	-65%						

CBD Pills Dollars YOY Trends

- Pills 2022 Dollars have remained fairly stable and just below 2021 levels.

Pills - Average Weekly Dollars



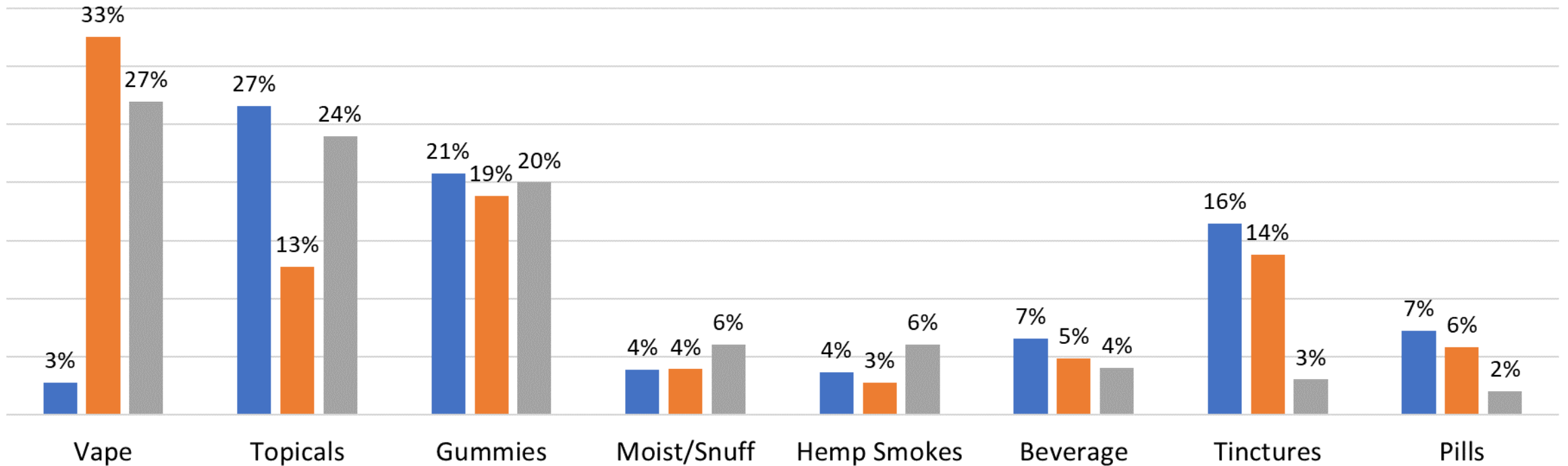
YOY	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
'21 v '20	-78%	-76%	-73%	-72%	-84%	-88%	-70%	-58%	124%	+++	+++	-11%
'22 vs '21	-60%	-65%	-68%	-22%	-63%	-79%						

Top CBD Forms

- The Top CBD Forms YTD 2022 (through 7/2) are Vape, Topicals, and Gummies, accounting for 71% Dollar Share. Topicals share has increased significantly vs 2021, while Tinctures has declined.

CBD Form Dollar Share by Year

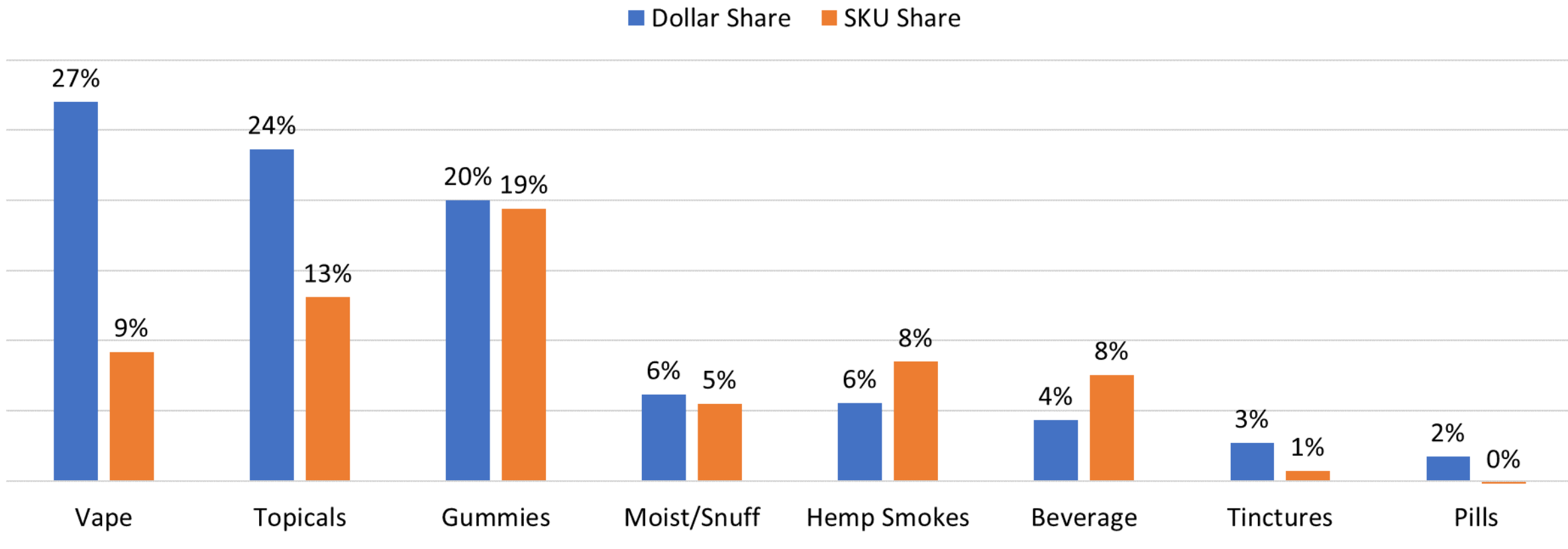
■ 2020 ■ 2021 ■ YTD 2022 (through 7/2/2022)



Top CBD Forms

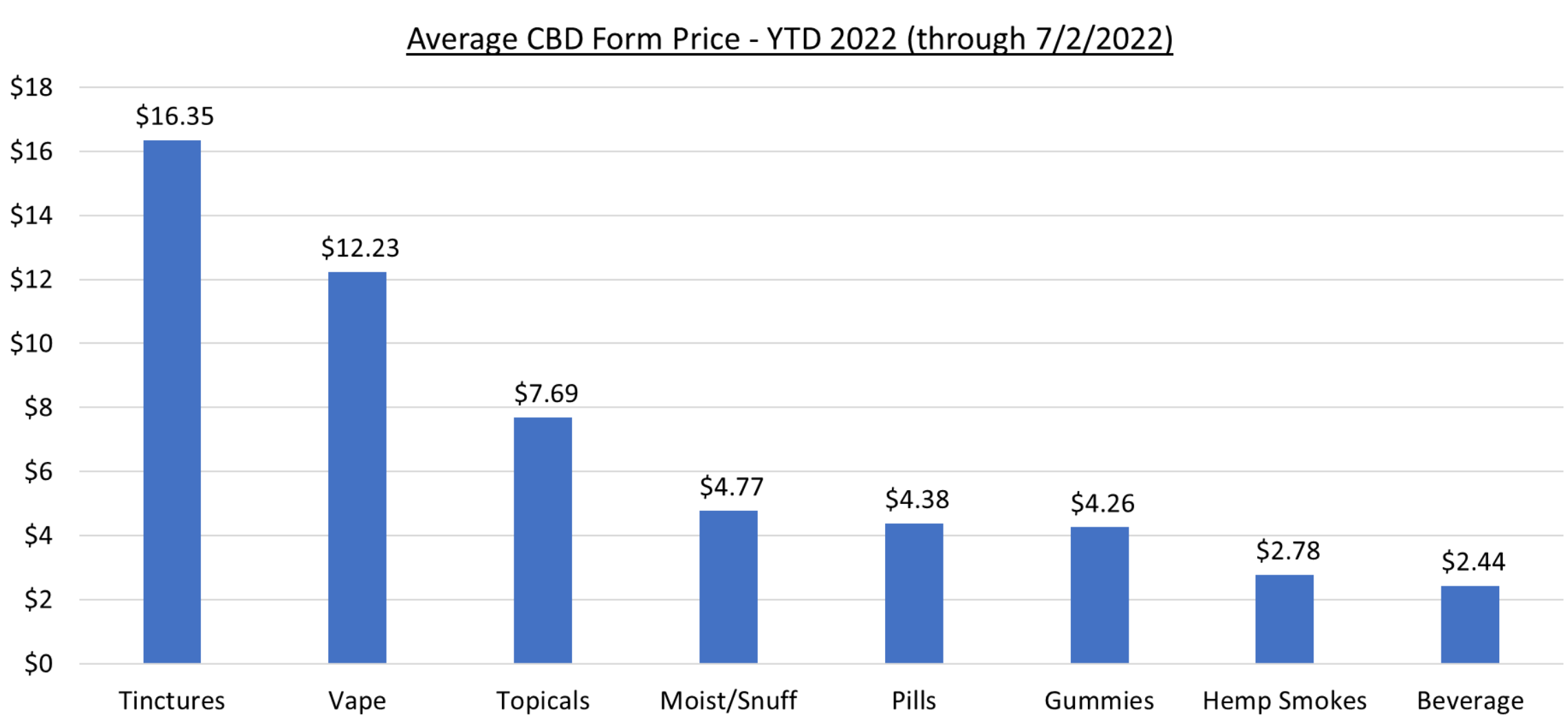
- Vape and Topicals have a larger Dollar Share than SKU Share, while Hemp Smokes and Beverage have the opposite.

CBD Form Dollar Share vs. SKU Share - YTD 2022 (through 7/2/2022)



CBD Form Price

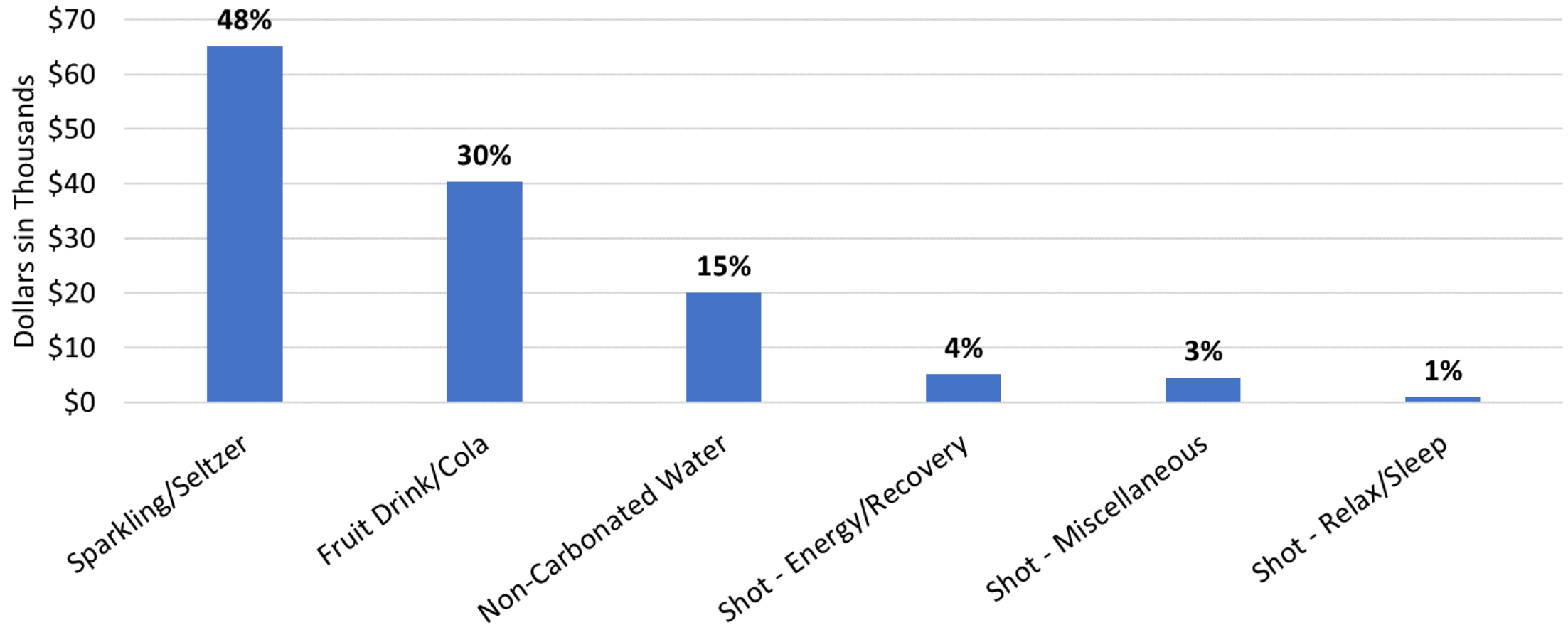
- Tinctures are the most expensive CBD form, while Beverage is the least expensive.



Beverage Sub-Types

- Sparkling/Seltzer and Fruit Drink/Cola make up 78% of Beverage Dollars.

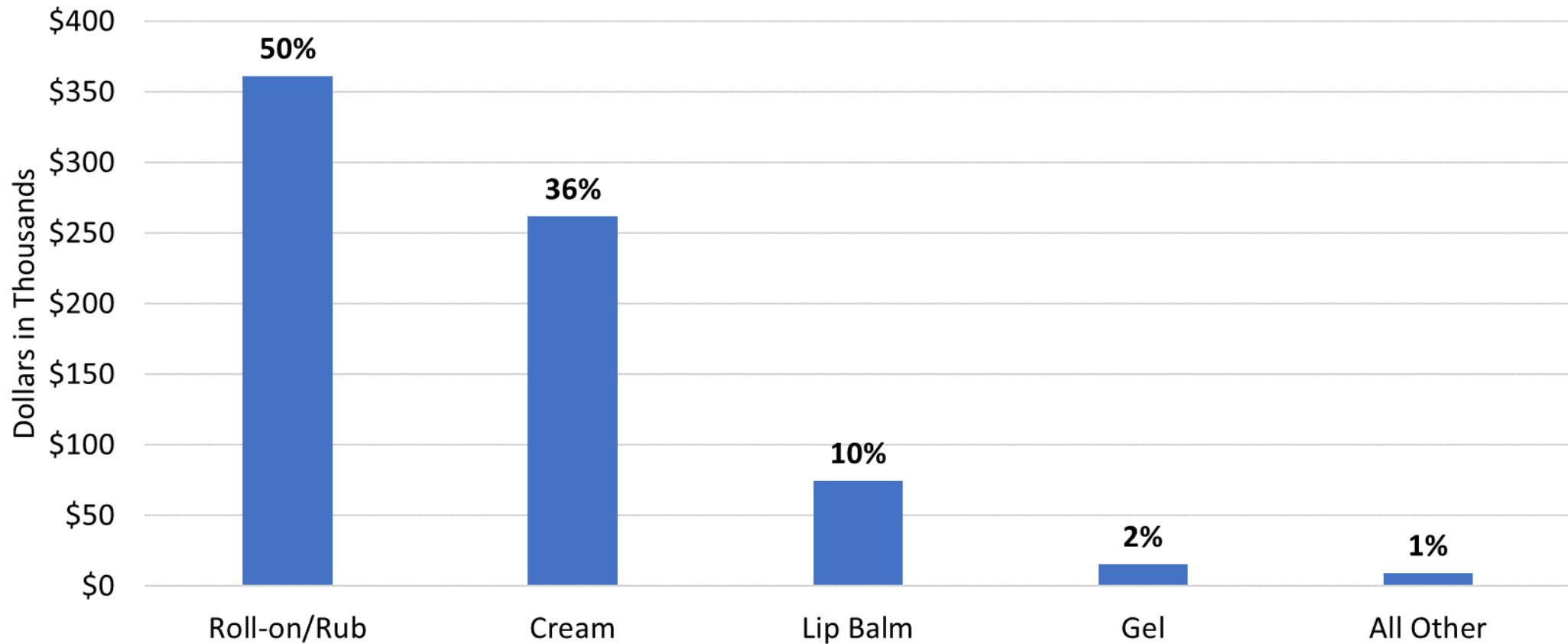
Beverage Sub-Types Dollar Share - YTD 2022 (through 7/2/2022)



Topicals Sub-Types

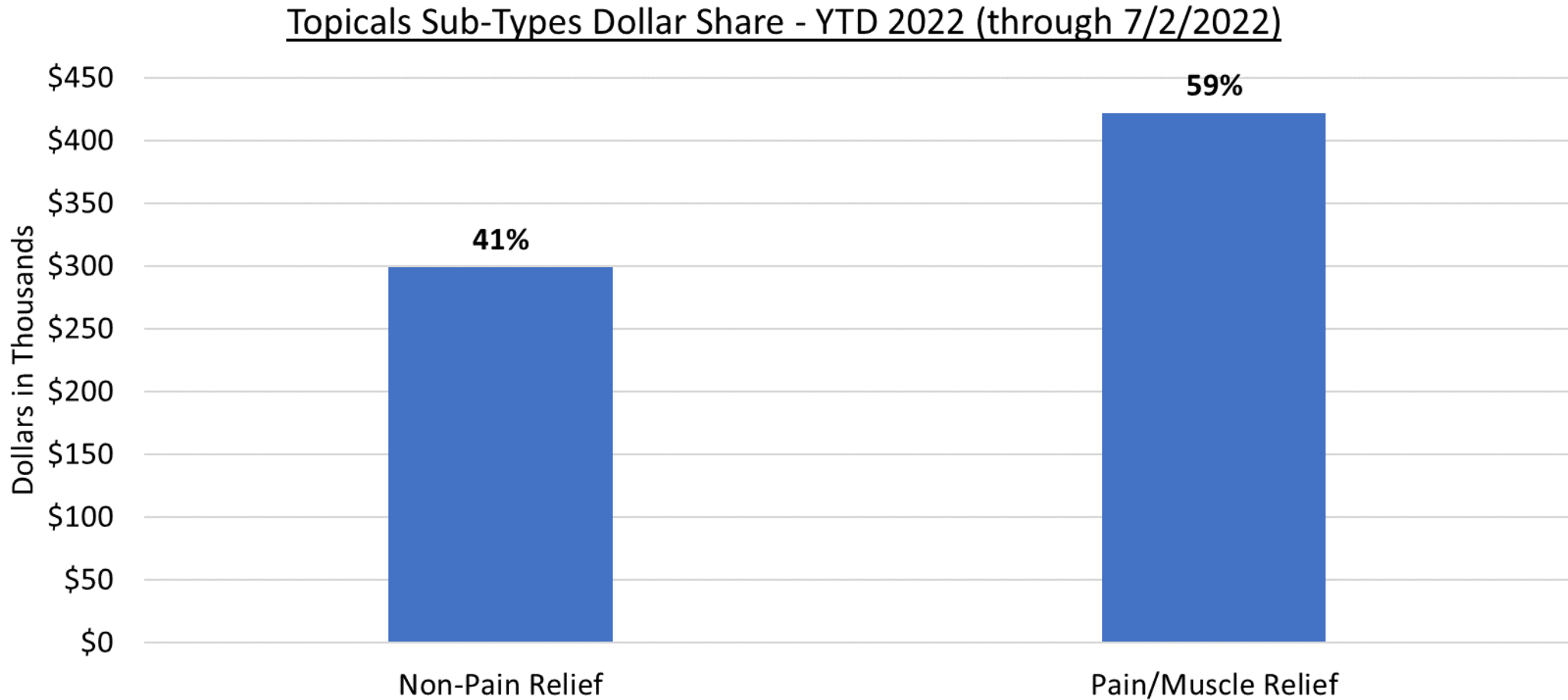
- Roll-on/Rub and Cream are the most popular Topicals sub-types, accounting for 86% of Topicals Dollars.

Topicals Sub-Types Dollar Share - YTD 2022 (through 7/2/2022)



Topicals Sub-Types – Pain Relief vs. Non-Pain Relief

- Pain Relief is slightly more popular than Non-Pain Relief, accounting for 59% of Topicals Dollars.

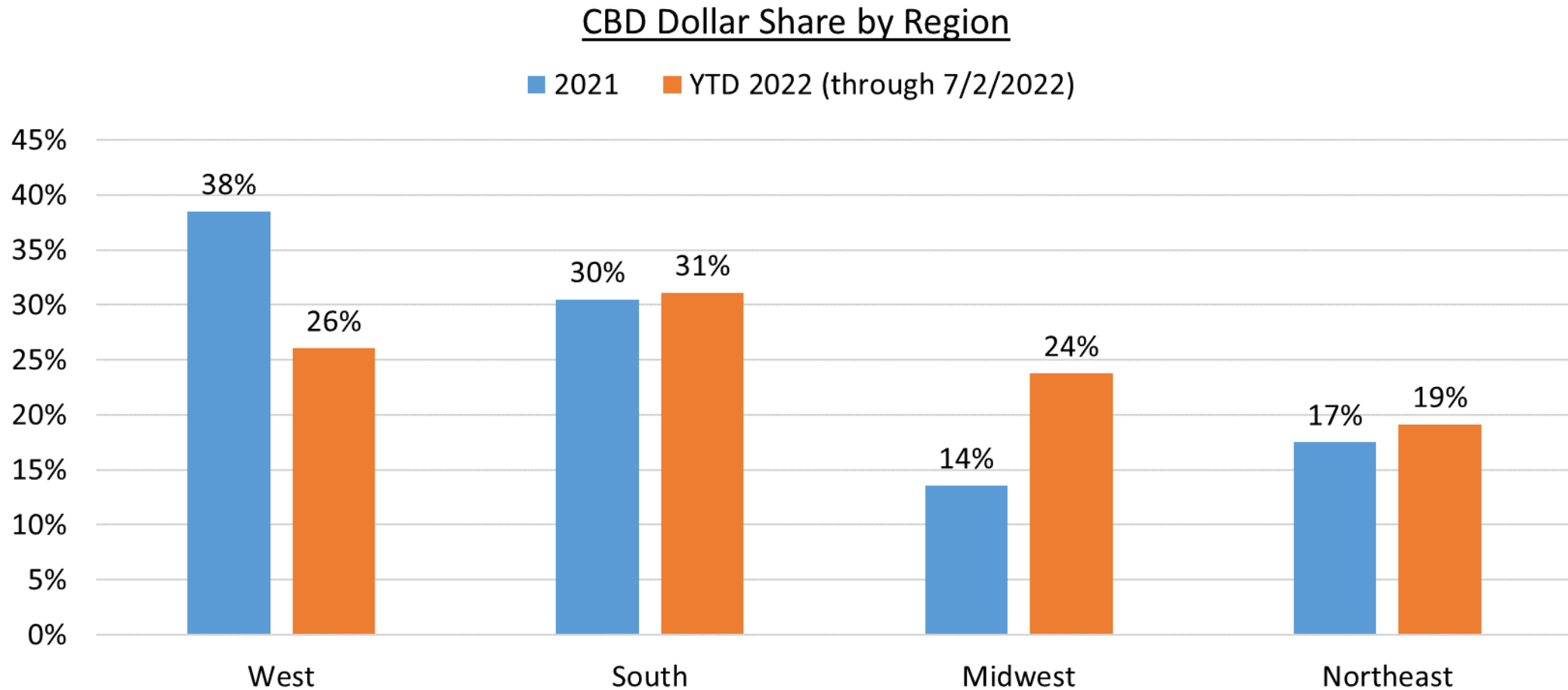




CBD Sales by Region & State

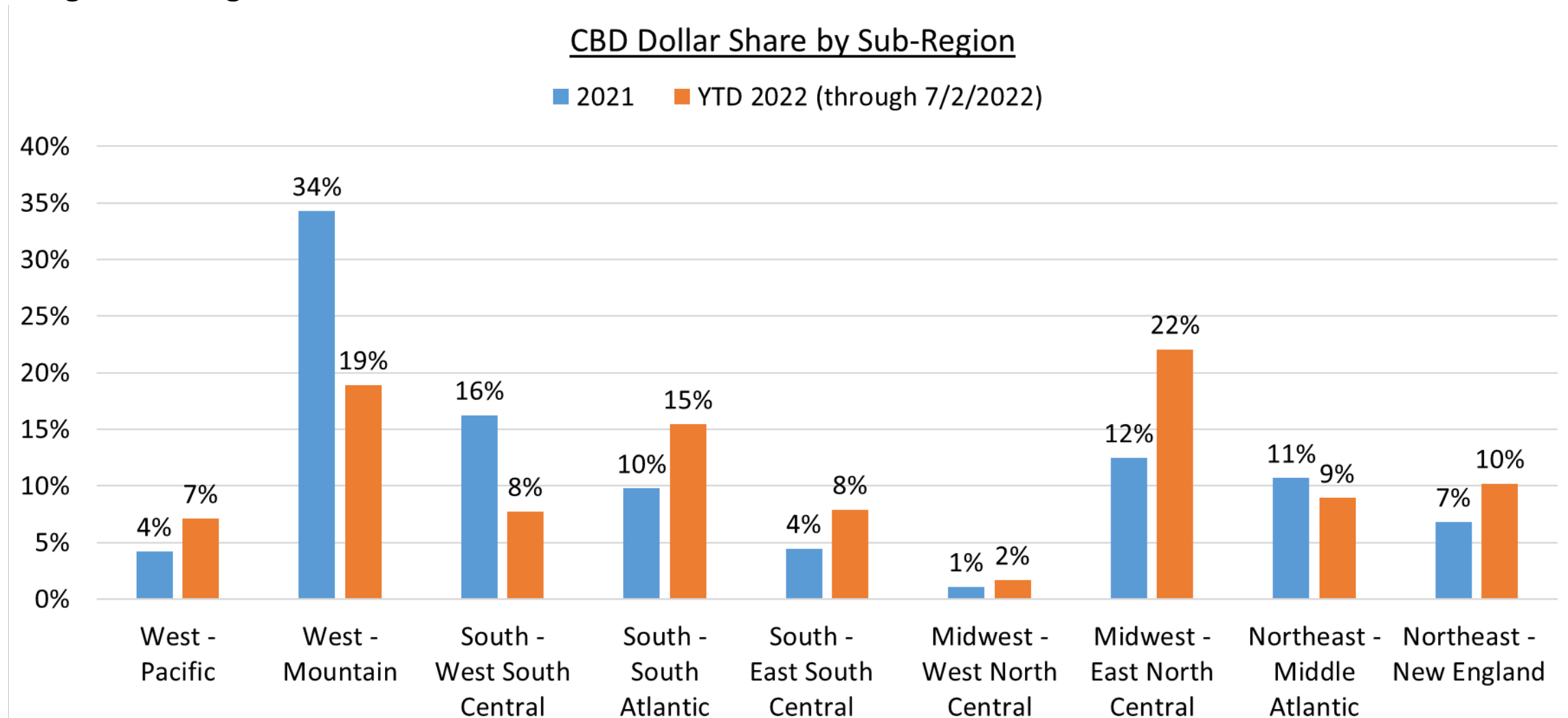
CBD Dollar Share by Region

- The Midwest region showed a significant gain in total Dollar Share in 2022 vs. 2021 while the West saw a large decline.



CBD Dollar Share by Sub-Region

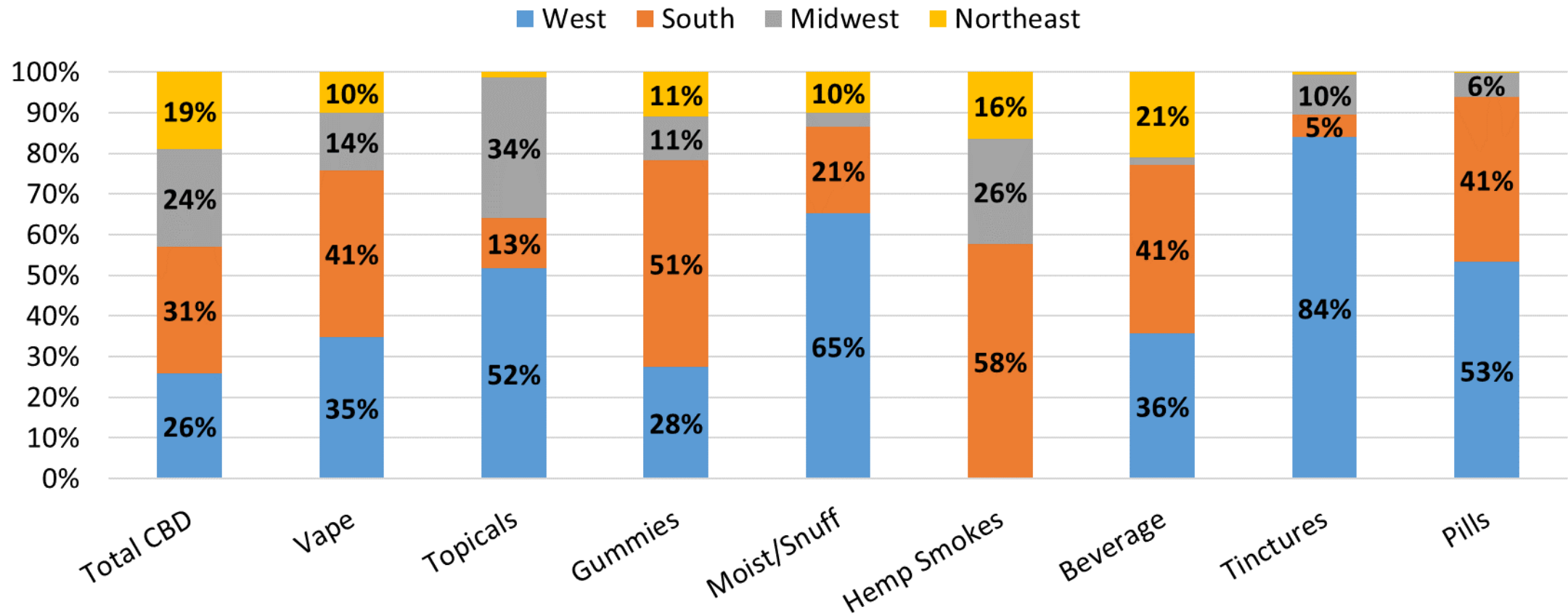
- The East North Central sub-region showed large Dollar Share gains in 2022 while the Mountain sub-region saw significant declines.



Top CBD Forms by Region

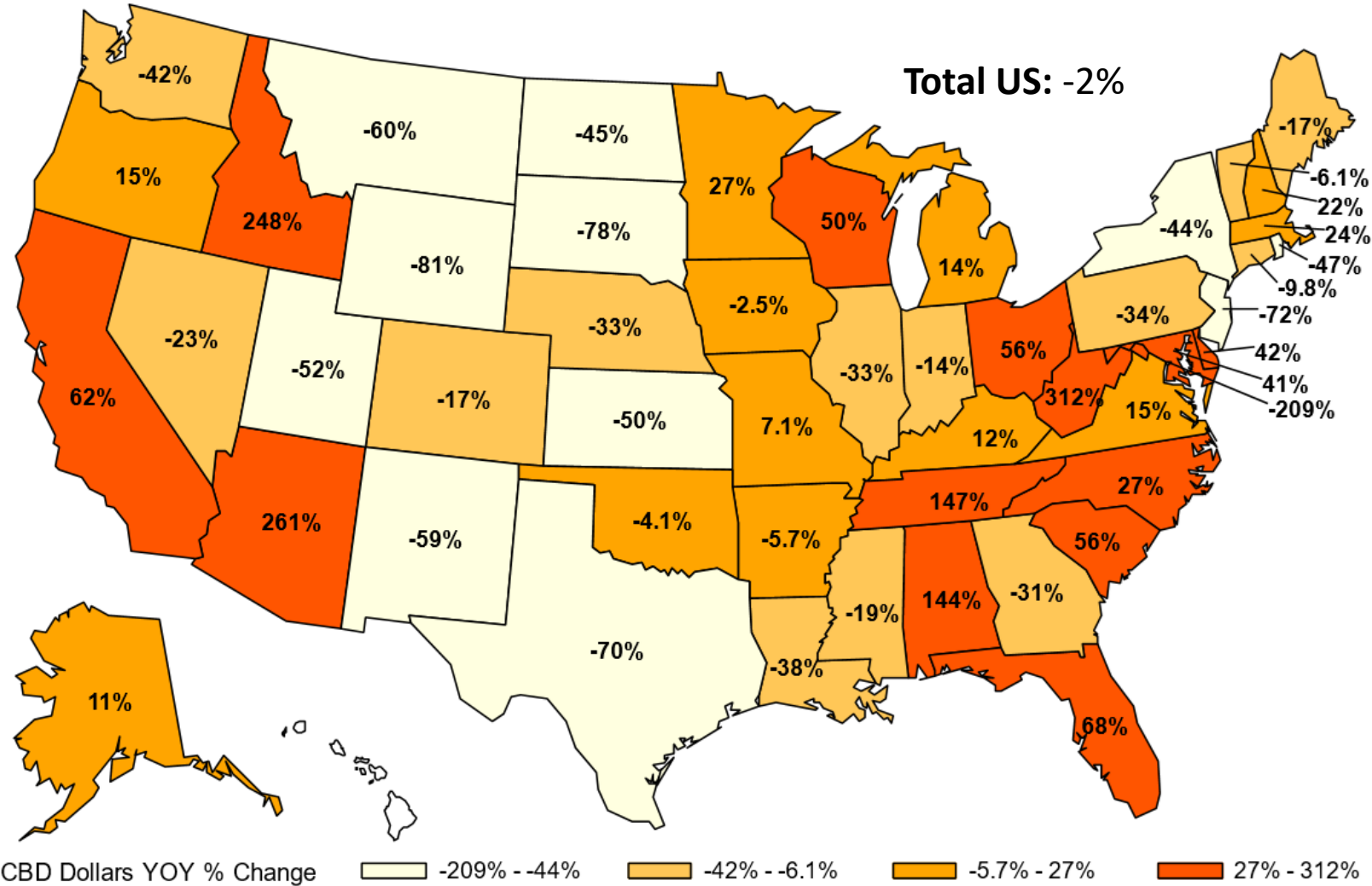
- The South region has a larger share of Pills and Hemp Smokes Sales Dollars.
- The West has 84% of Tinctures Sales Dollars, but only 26% of total CBD.

Product Form Dollar Share by Region - YTD 2022 (through 7/2/2022)



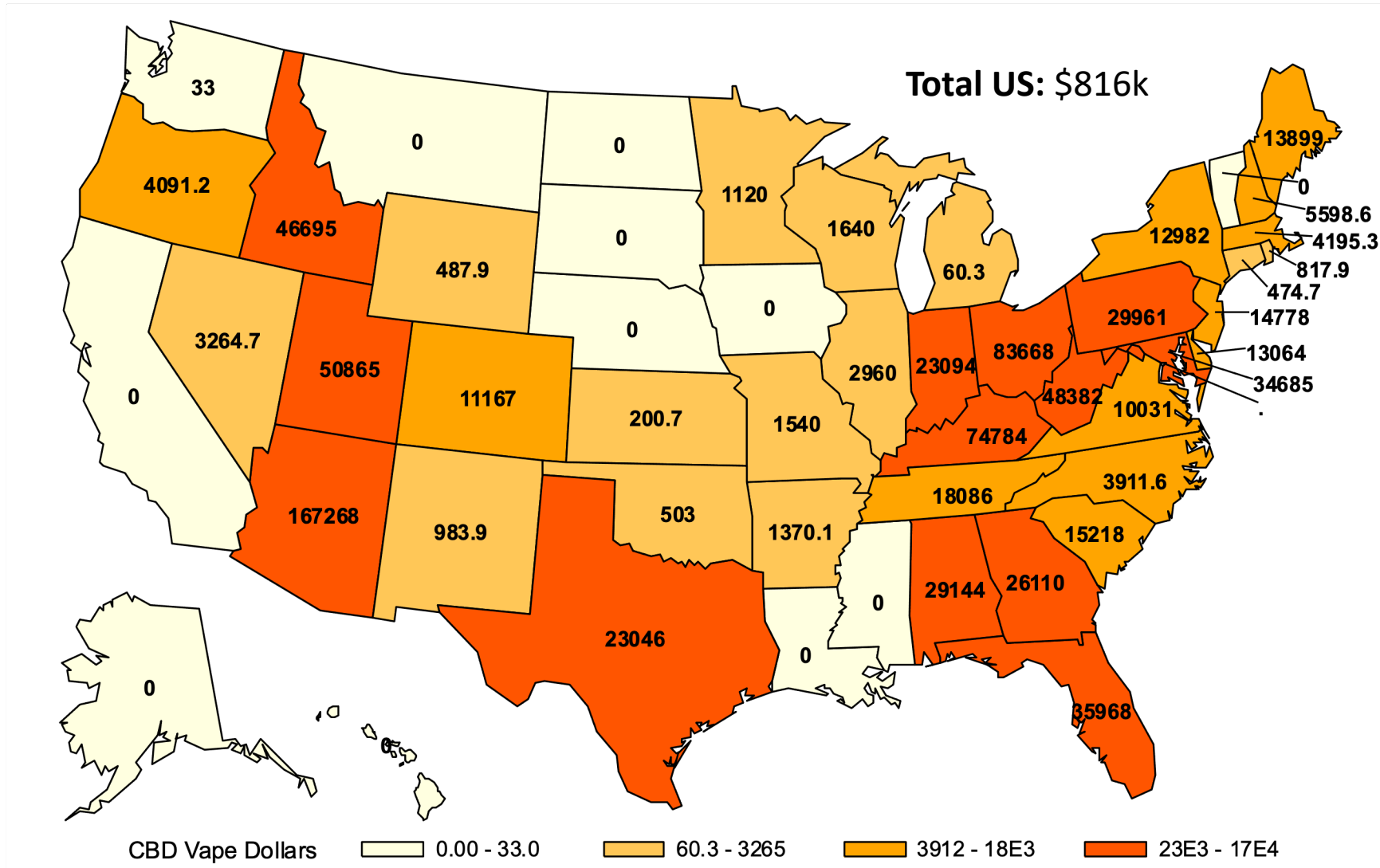
State CBD Sales % Change

State CBD Dollars % Change – YTD 2022 (through 7/2/2022) vs. YAGO



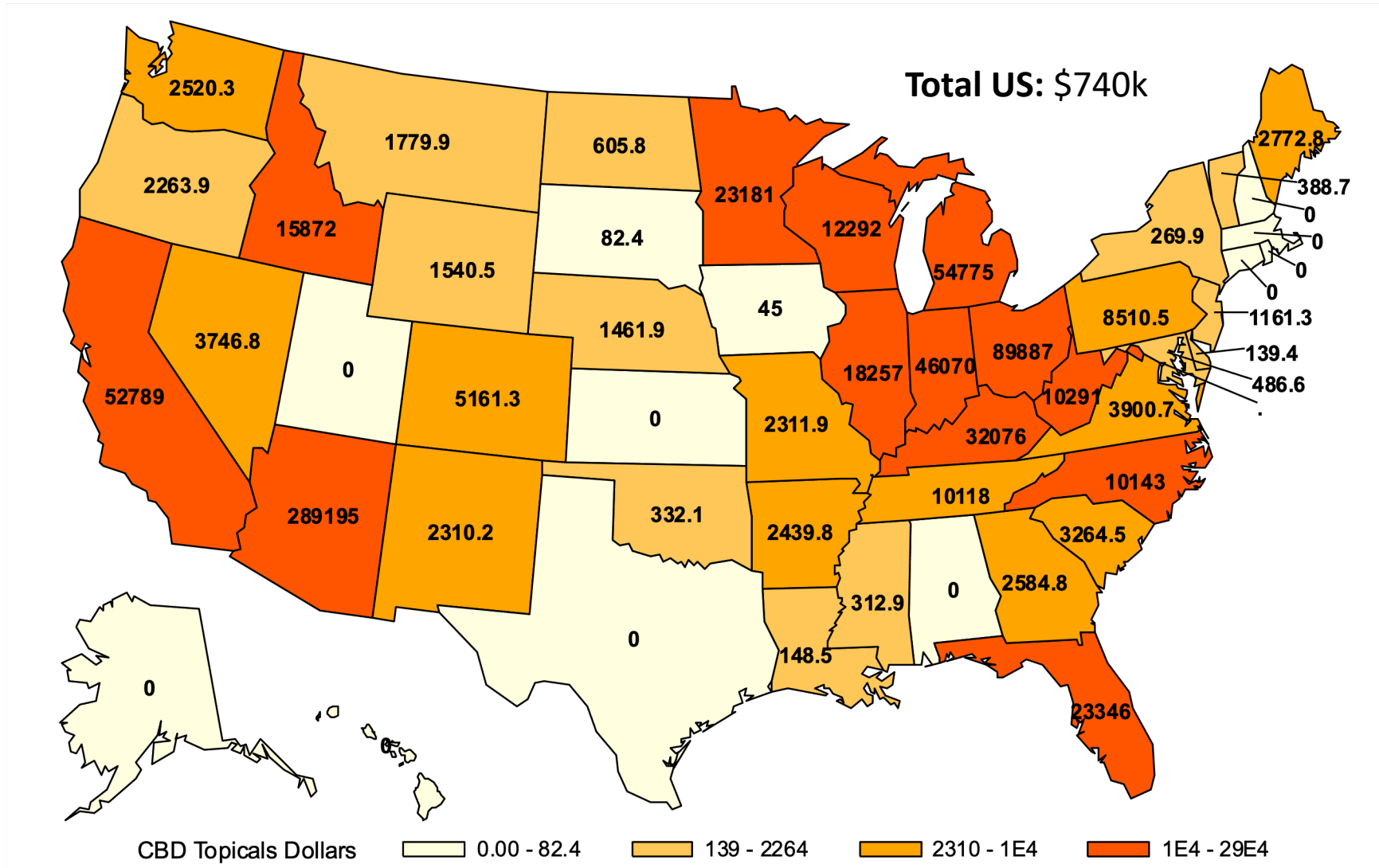
State CBD Vape Dollars

State CBD Vape Dollars – YTD 2022 (through 7/2/2022)



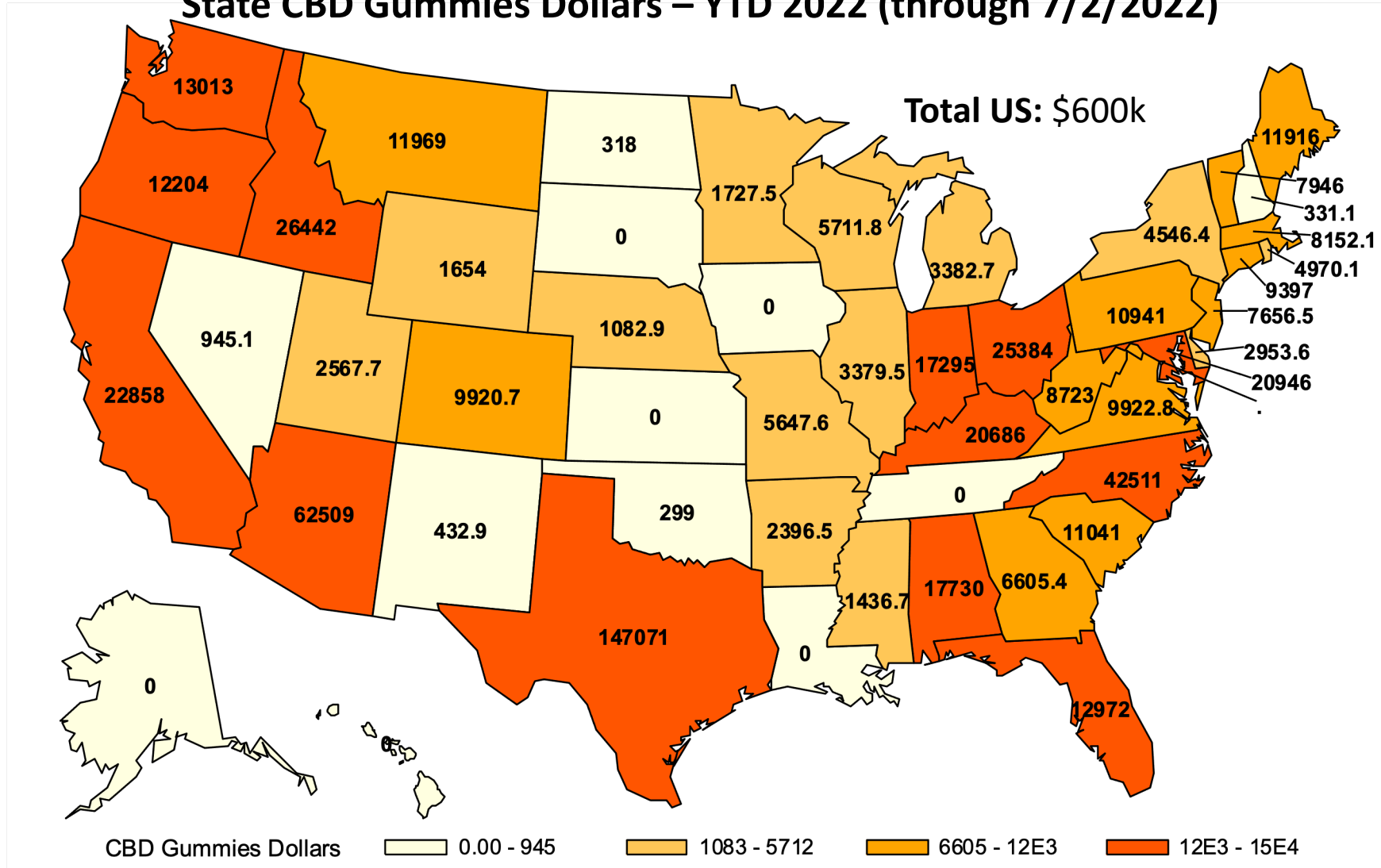
State CBD Topicals Dollars

State CBD Topicals Dollars – YTD 2022 (through 7/2/2022)



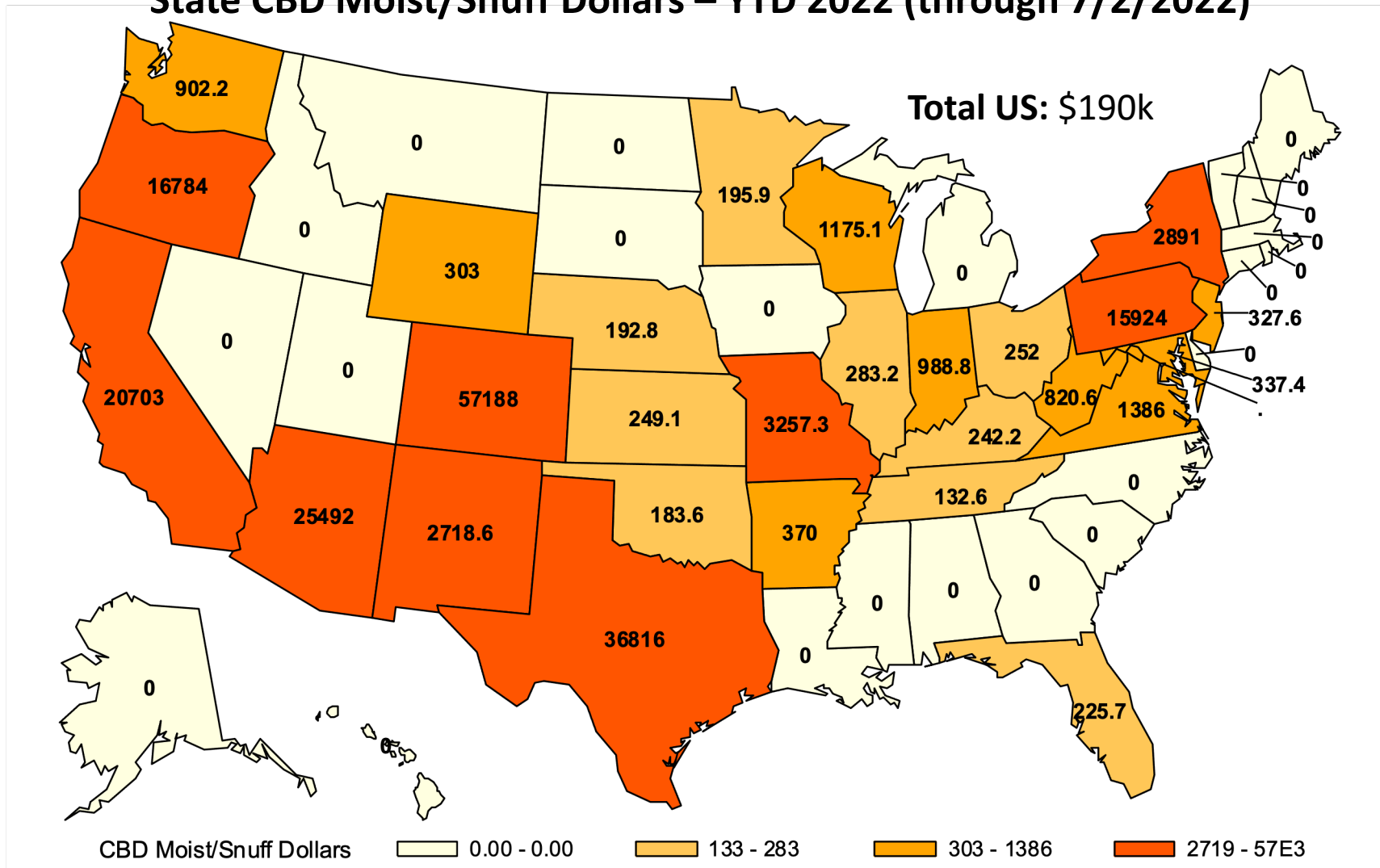
State CBD Gummies Dollars

State CBD Gummies Dollars – YTD 2022 (through 7/2/2022)



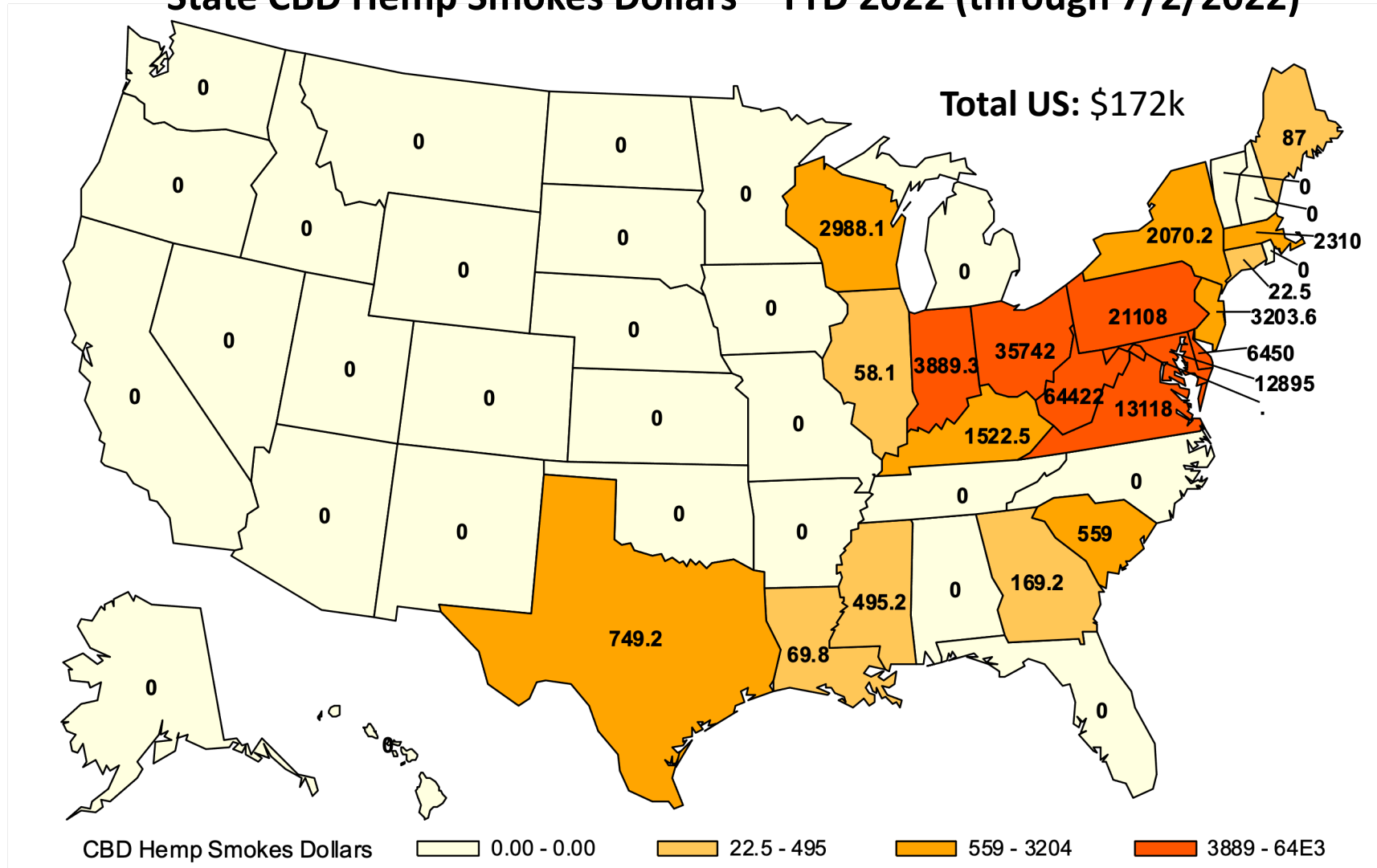
State CBD Moist/Snuff Dollars

State CBD Moist/Snuff Dollars – YTD 2022 (through 7/2/2022)



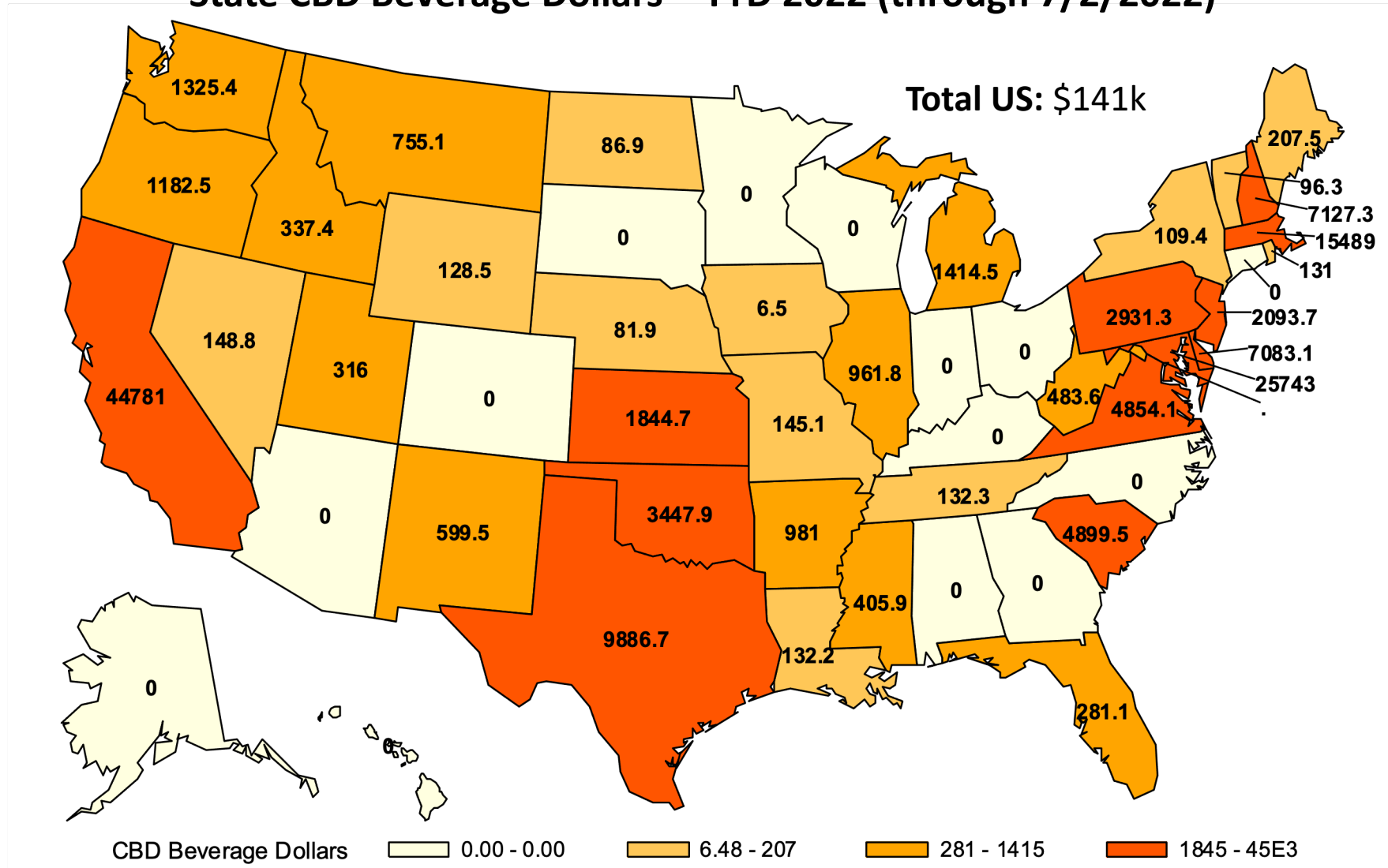
State CBD Hemp Smokes Dollars

State CBD Hemp Smokes Dollars – YTD 2022 (through 7/2/2022)



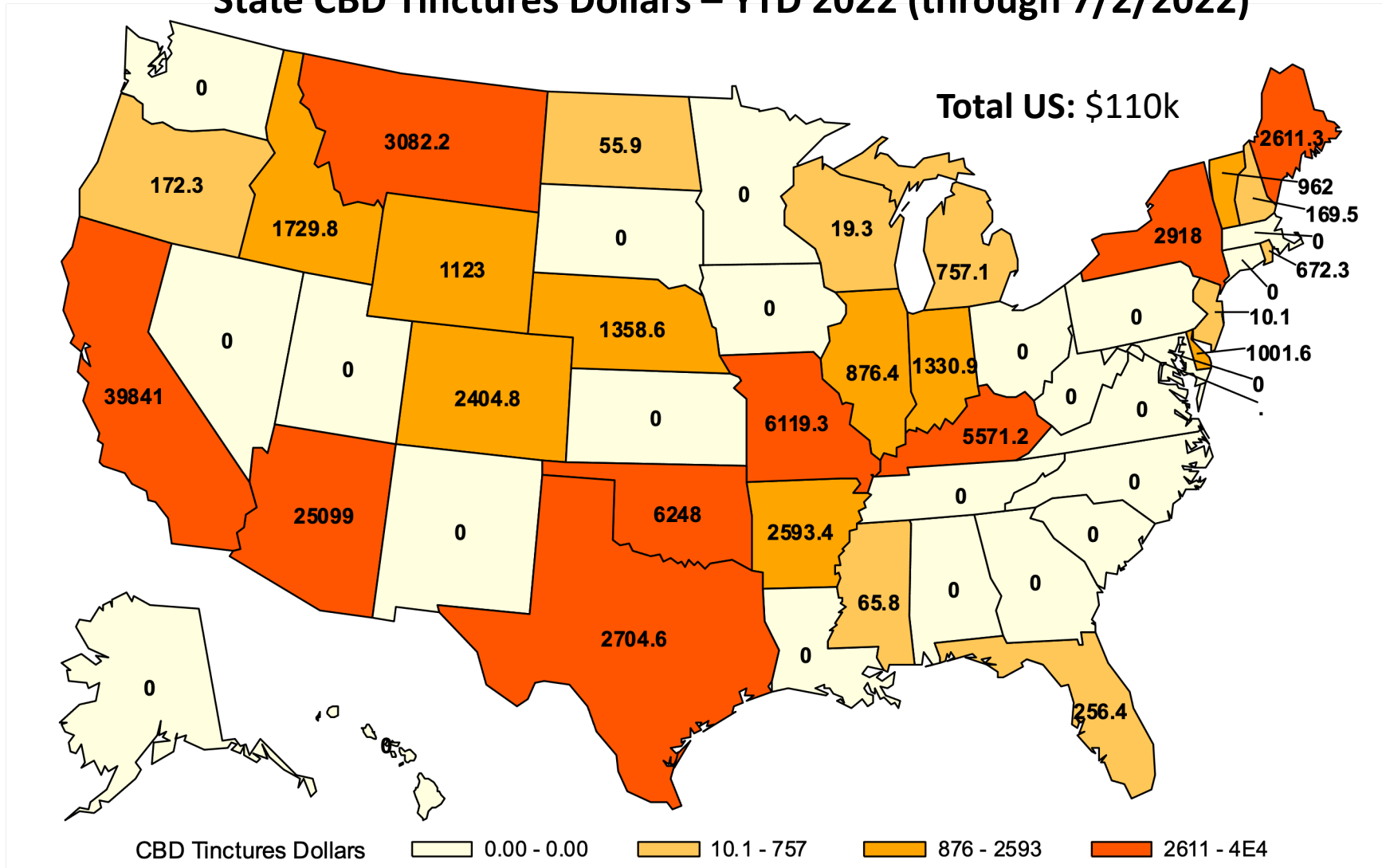
State CBD Beverage Dollars

State CBD Beverage Dollars – YTD 2022 (through 7/2/2022)



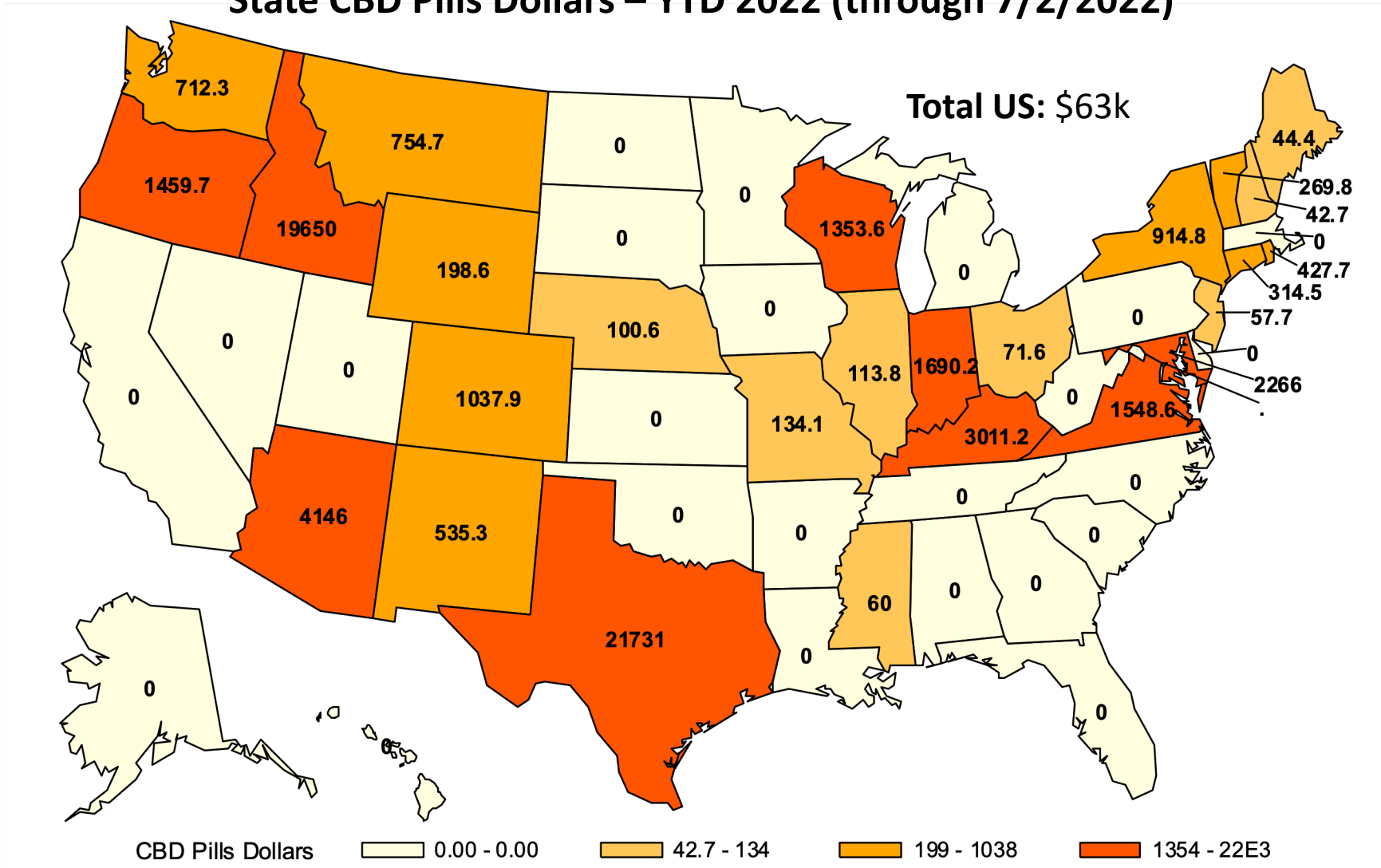
State CBD Tinctures Dollars

State CBD Tinctures Dollars – YTD 2022 (through 7/2/2022)



State CBD Pills Dollars

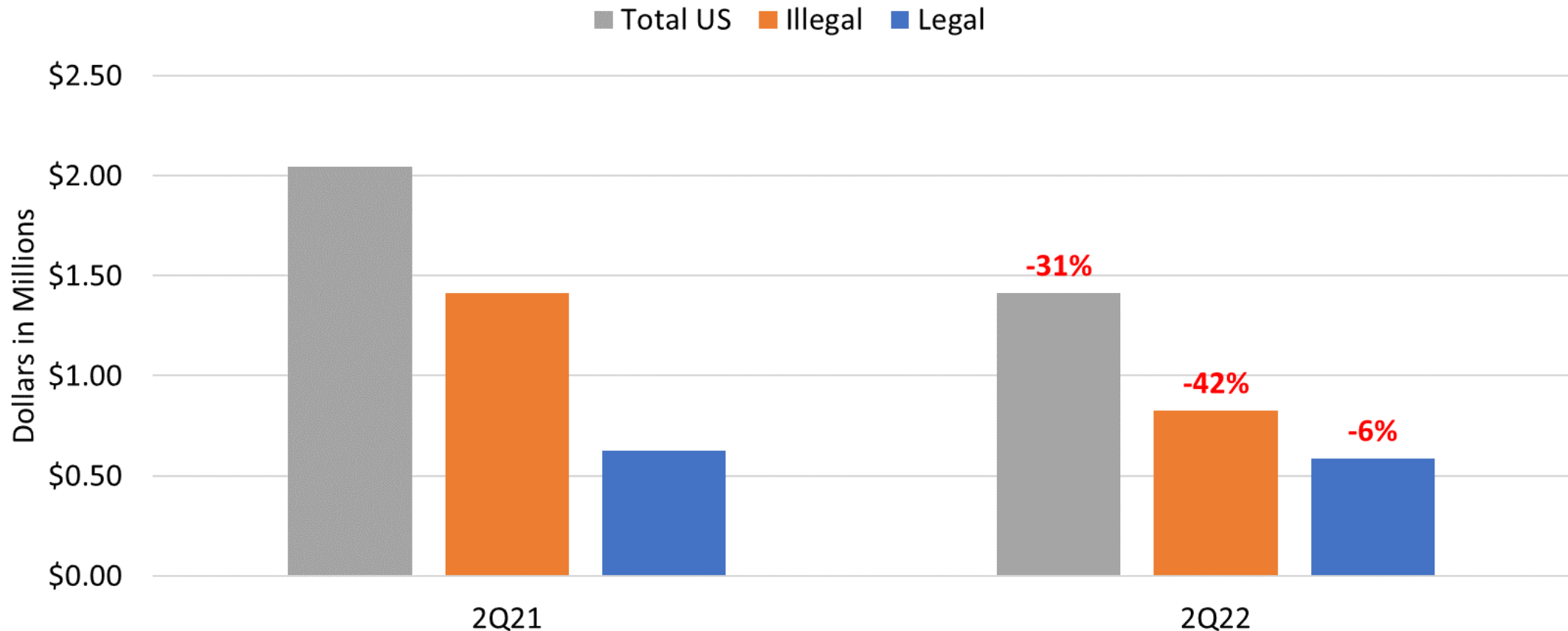
State CBD Pills Dollars – YTD 2022 (through 7/2/2022)



State CBD Dollar Change by Recreational Marijuana Legality

- CBD Dollars in states where recreational marijuana is illegal saw a larger decrease than states where it is legal.

CBD Dollars % Change by State's Recreational Marijuana Laws

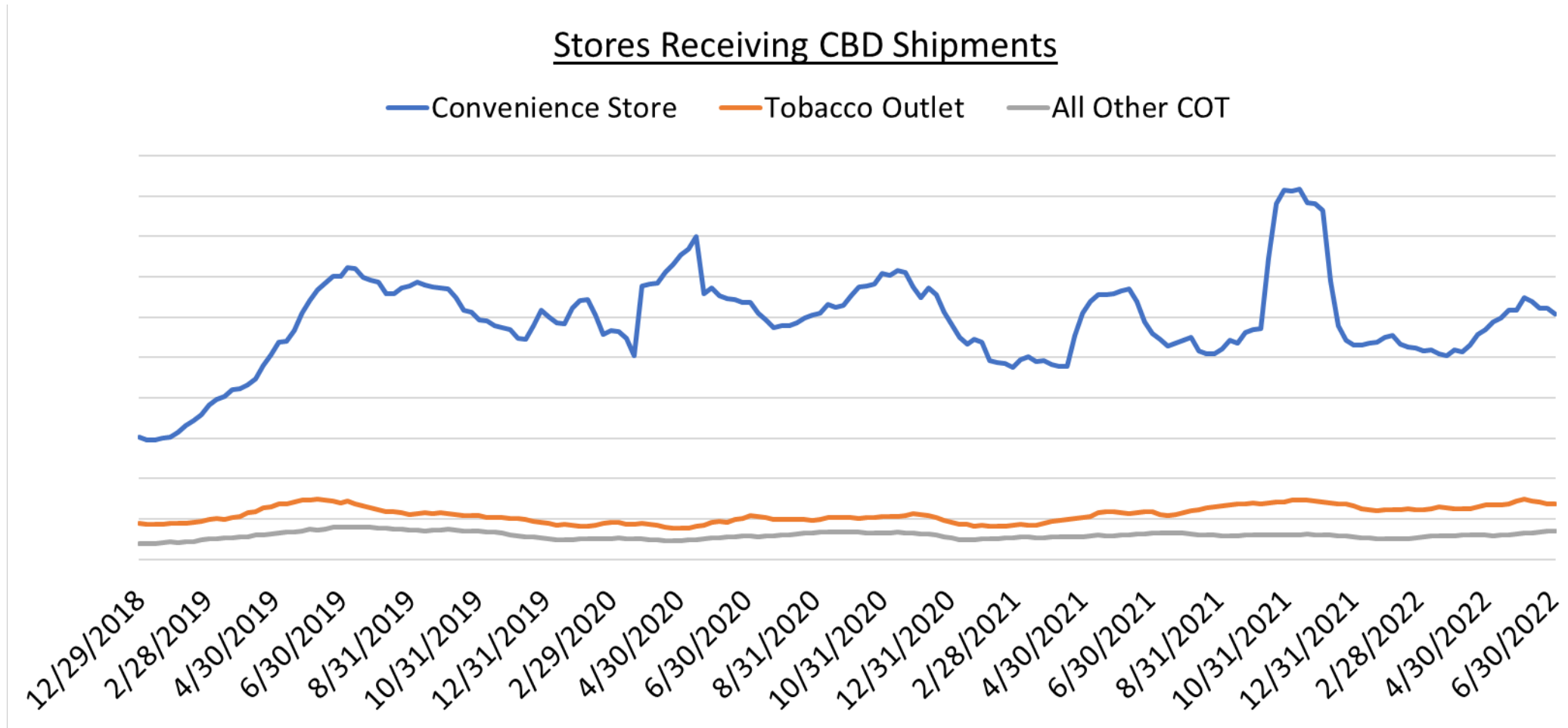




CBD Trends by Class of Trade

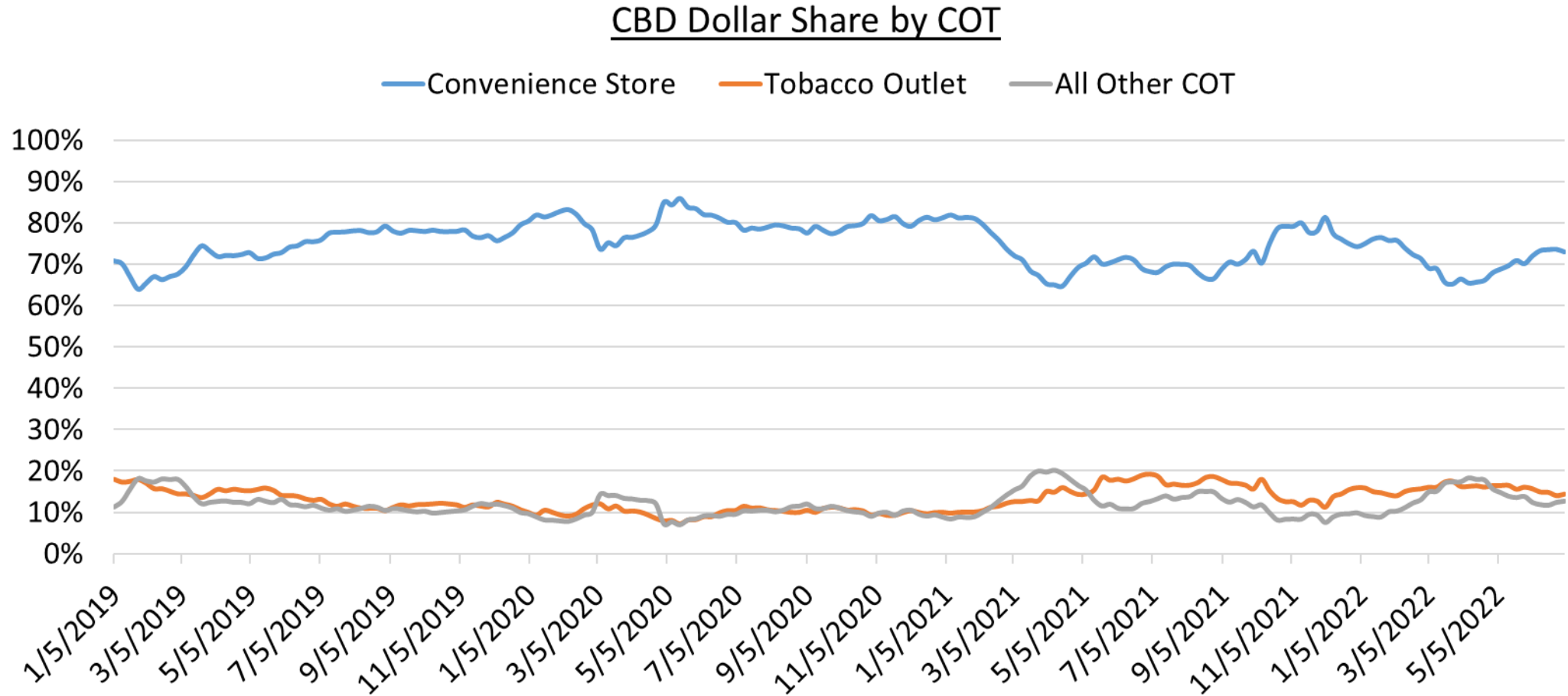
Weekly Stores Receiving CBD Shipments by Class of Trade

- It appears the unstable movement of CBD sales derives mostly from Convenience Stores, whereas other classes of trade have remained stable since 2019.



Weekly Dollar Share by Class of Trade

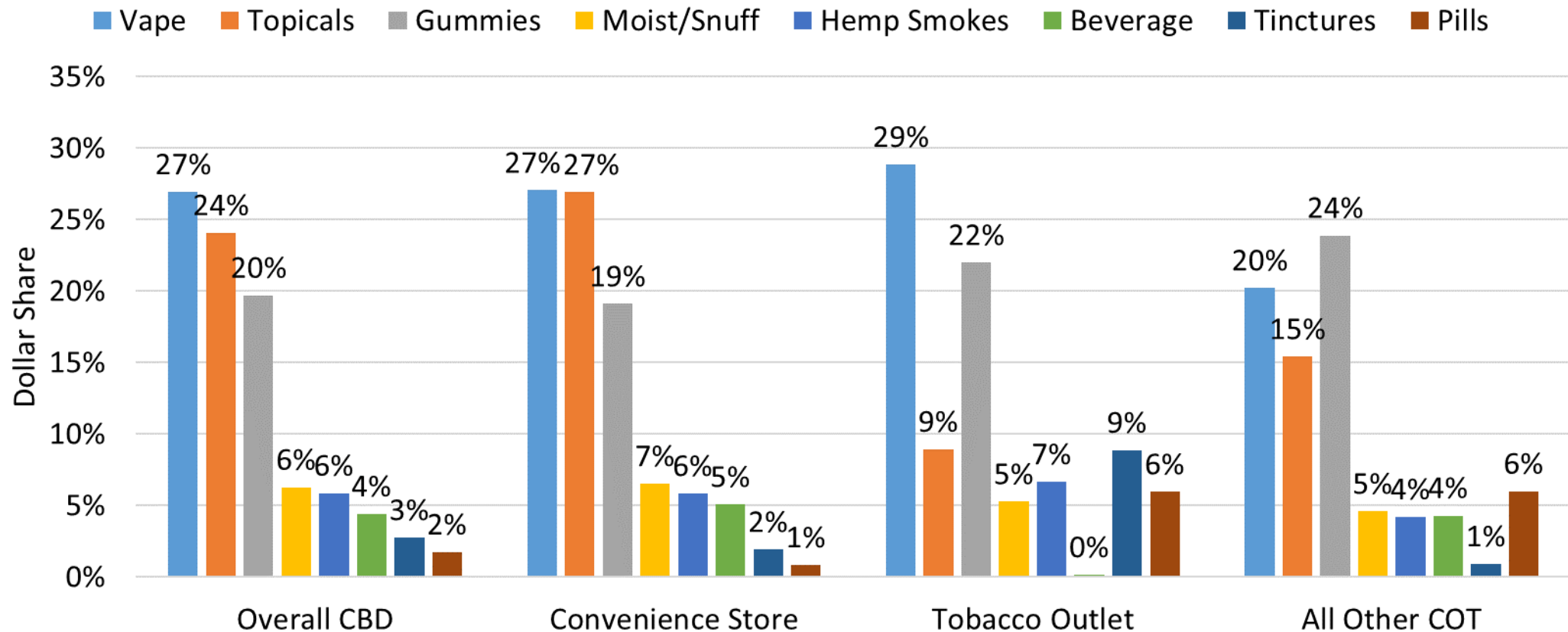
- Convenience stores have accounted for over 60% of CBD Dollar Share.



Top CBD Forms by Class of Trade

- Despite accounting for 24% of Overall CBD Sales Dollars, Topicals only represents 9% and 15% of CBD Sales Dollars in Tobacco Outlets and All Other COT.
- Tinctures account for 9% of CBD Sales Dollars in Tobacco Outlets vs 3% overall.

YTD 2022 (through 7/2/2022) COT Dollar Share by Product Form

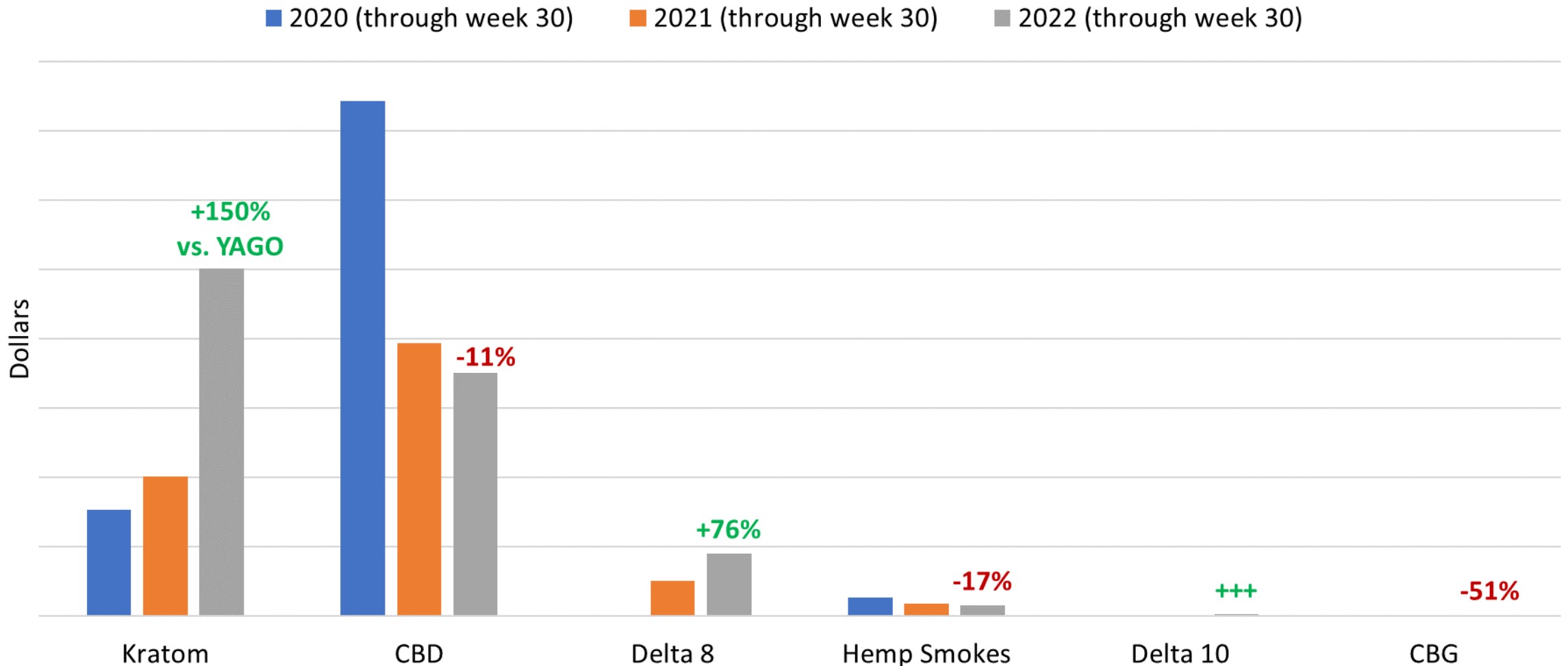


Alternative Products

Total Dollars of Each Alternative Product Type

Note: Products can have more than one type and are counted towards each type they are a part of.

Total Dollars by Form (through week 30)

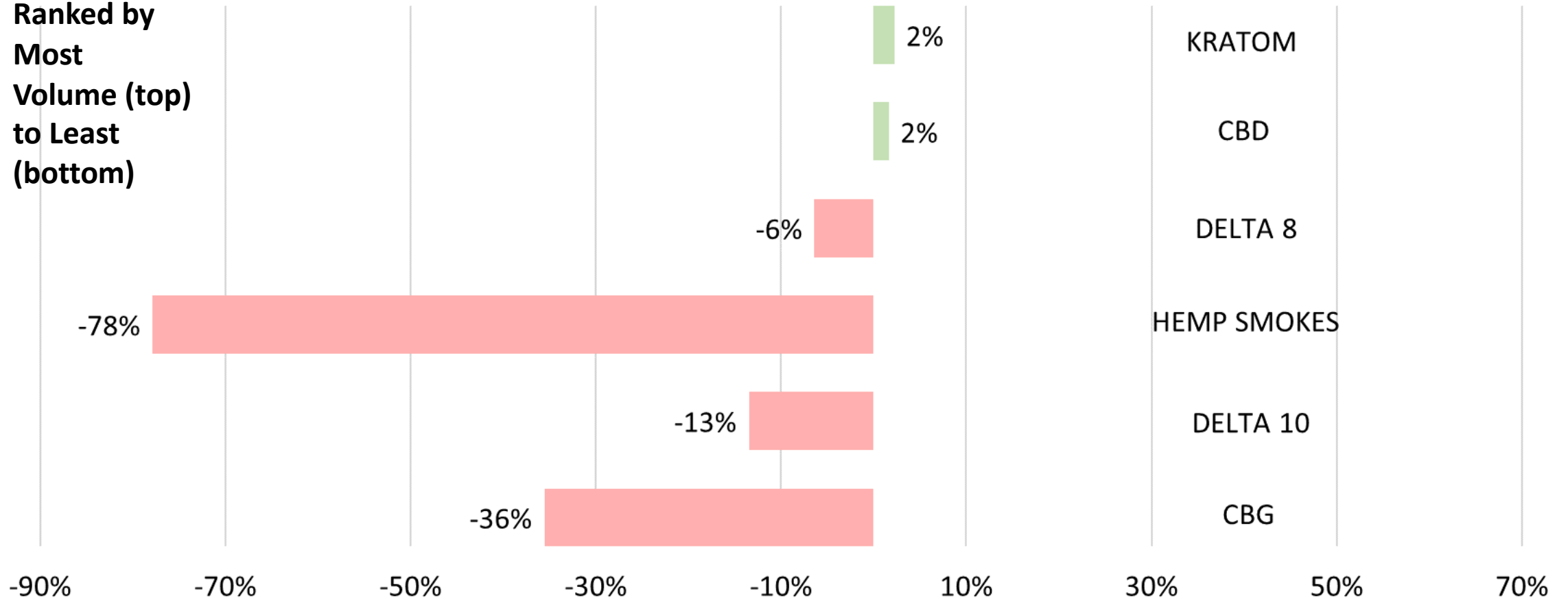


Quarterly Dollars % Change vs. Previous Quarter

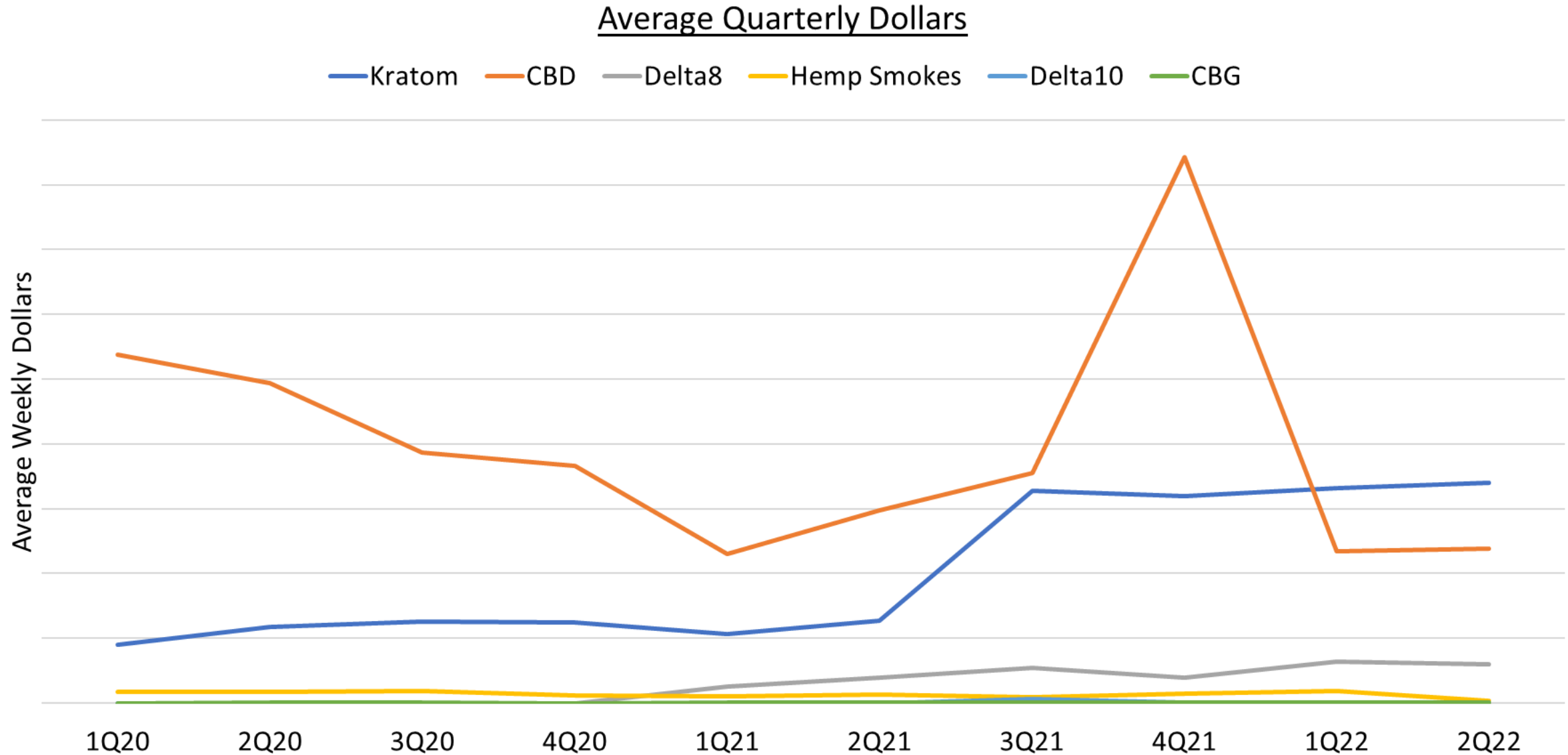
Note: Products can have more than one type and are counted towards each type they are a part of.

Categories
Ranked by
Most
Volume (top)
to Least
(bottom)

Quarterly Dollars % Change - 2Q22 vs. 1Q22

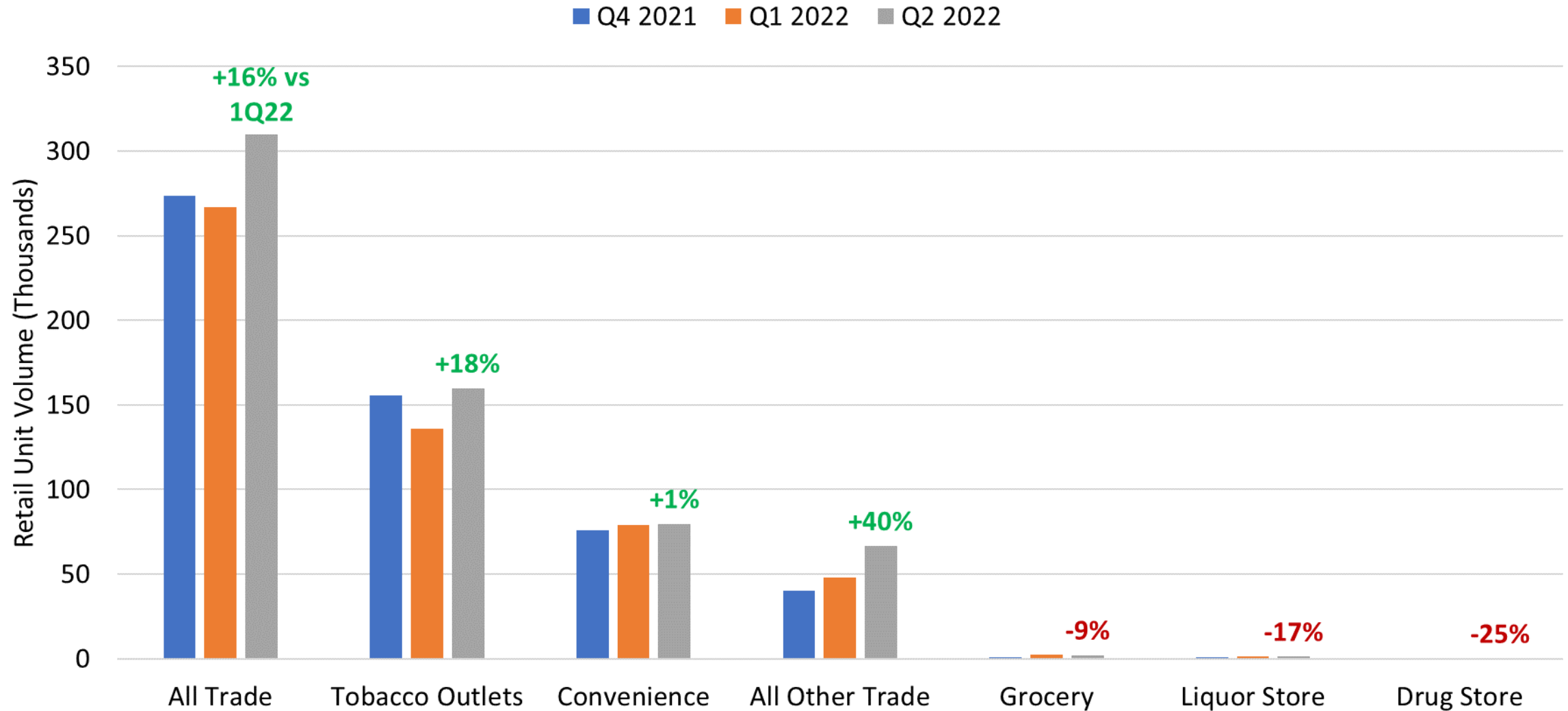


Monthly Dollars Trend



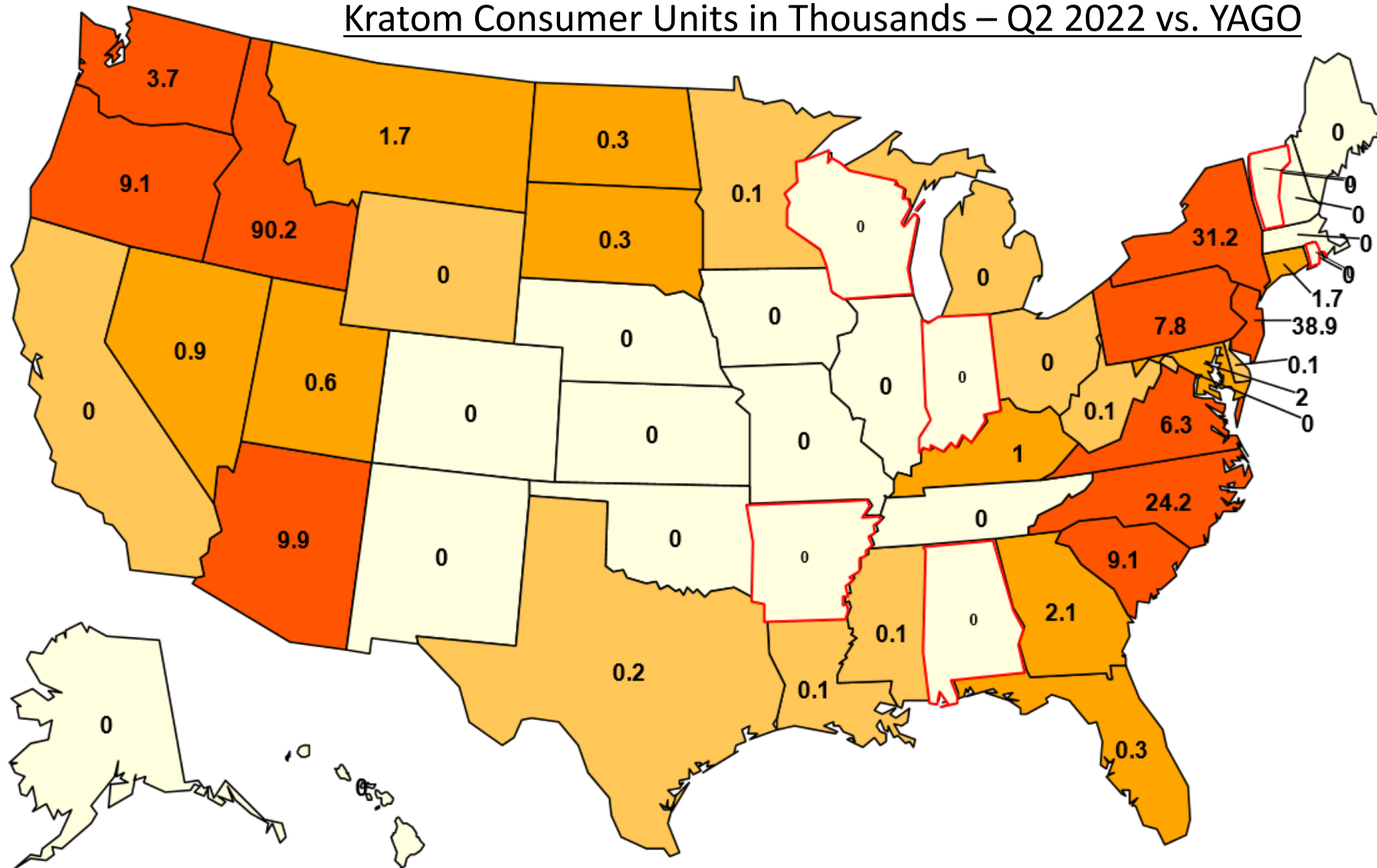
Kratom Trend by Trade Channel

Kratom Quarterly Unit Volume Build



Kratom Volume by State

Kratom Consumer Units in Thousands – Q2 2022 vs. YAGO



Total US: 242.1

States outlined in red have banned Kratom

Kratom Consumer Units (Thousands)



MAAKE
TERMA KASIH RAIBH MAITH AGAT
GRAZIE MULTUMESC
MERCY
JUSPAXAR
OBRIGADO
MATONDO
SALAMAT
KIITOS
MOCHCHAKKERAM
KIA ORA
MULTUMESC
CHOKRANE
SALAMAT
CAM ON BAN
MERCY
RAIBH MAITH AGAT
OBRIGADO
MOCHCHAKKERAM
GRAZIE
MERCY
MOCHCHAKKERAM
THANK
ASANTE
CHOKRANE
MATUR NUWUN
UA TSAUG RAU KOJ
MOCHCHAKKERAM
MATONDO
CHOKRANE
DANK JE
UA TSAUG RAU KOJ
RAIBH MAITH AGAT
SPASIBO
MAAKE
OBRIGADO
WELALIN
SPASIBO
ARIGATO
MOCHCHAKKERAM
OBRIGADO
KIITOS
DANKON
NIRRINGRAZZJAK
MOCHCHAKKERAM
MULTUMESC
VINAKA
NIRRINGRAZZJAK
MAMANA
OBRIGADO
DANK JE

