

COVID-19: Initial Market Assessment

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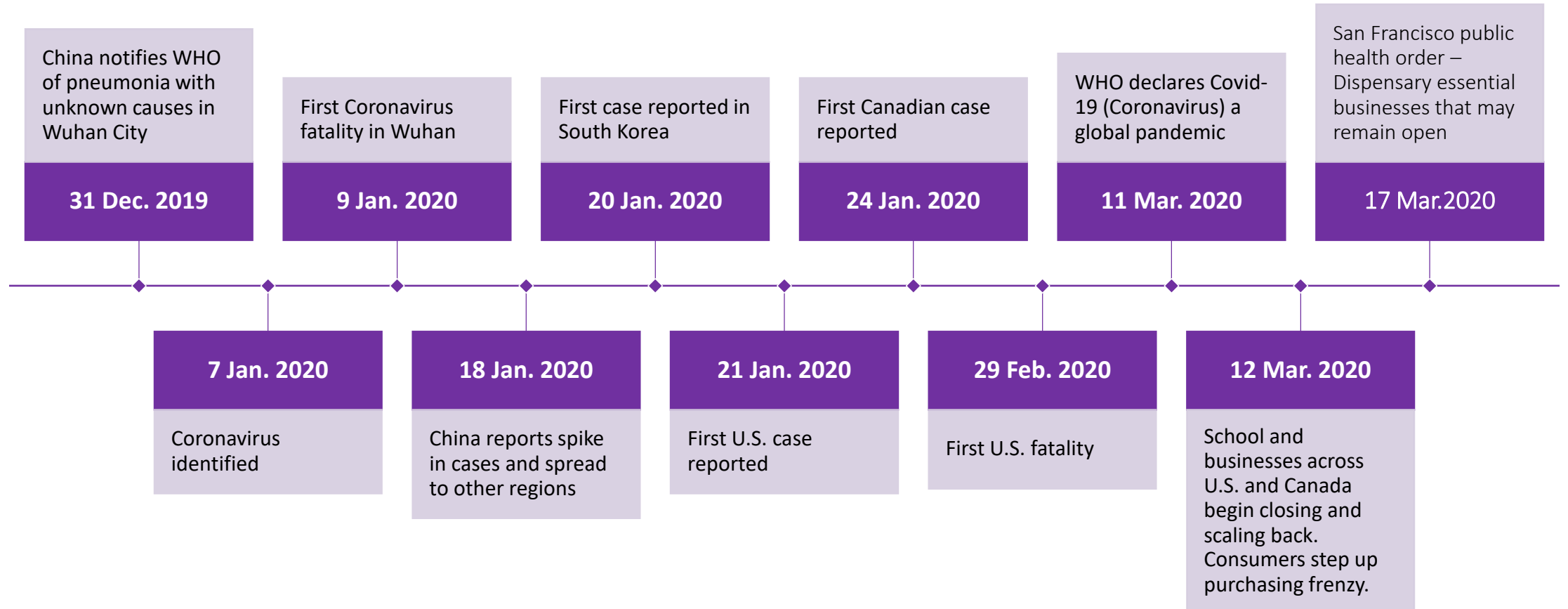
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BDSA's COVID-19 Initial Market Assessment

- Timeline of events
- Retail Sales Trends - *What has been happening at dispensaries*
- Retailer Insights - *What retailers are telling us*
- Key Drivers behind market developments
 - The cannabis consumer and consumer behavior in times of crisis
- What might this mean for the future?

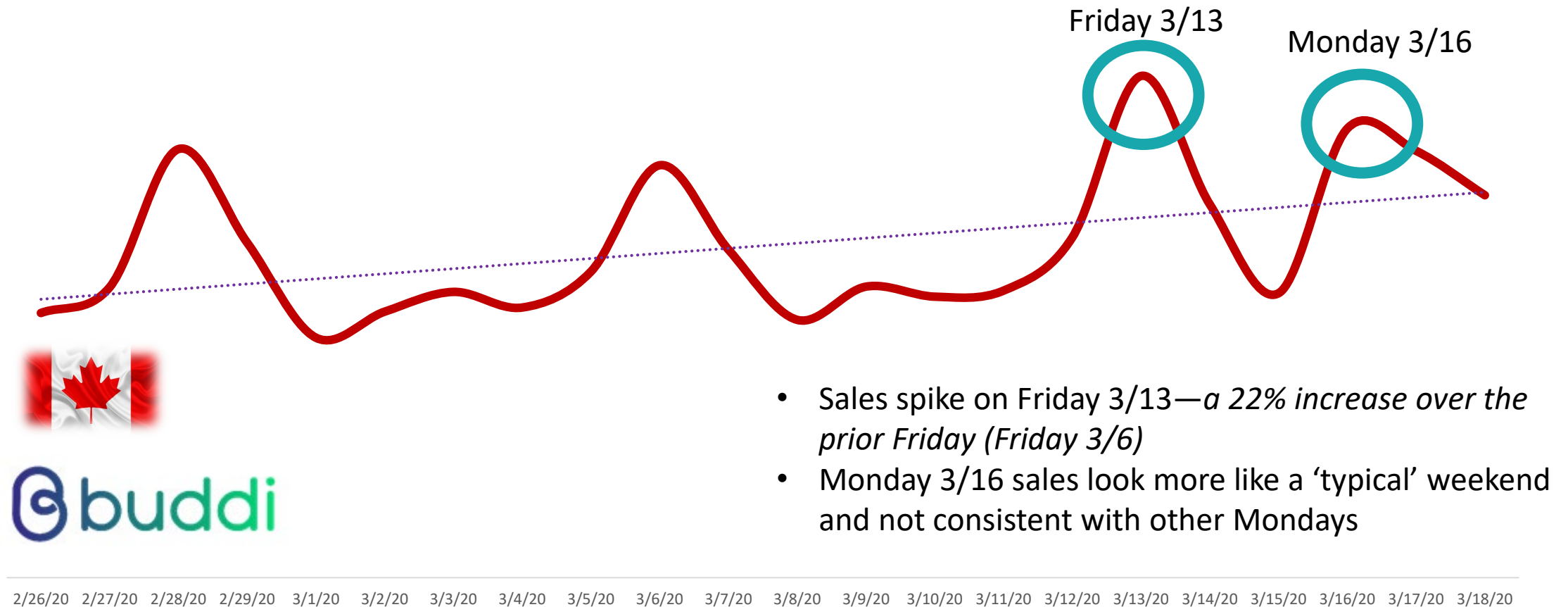
Timeline of COVID-19 Crisis



Retail Sales Data

What has been happening at dispensaries?

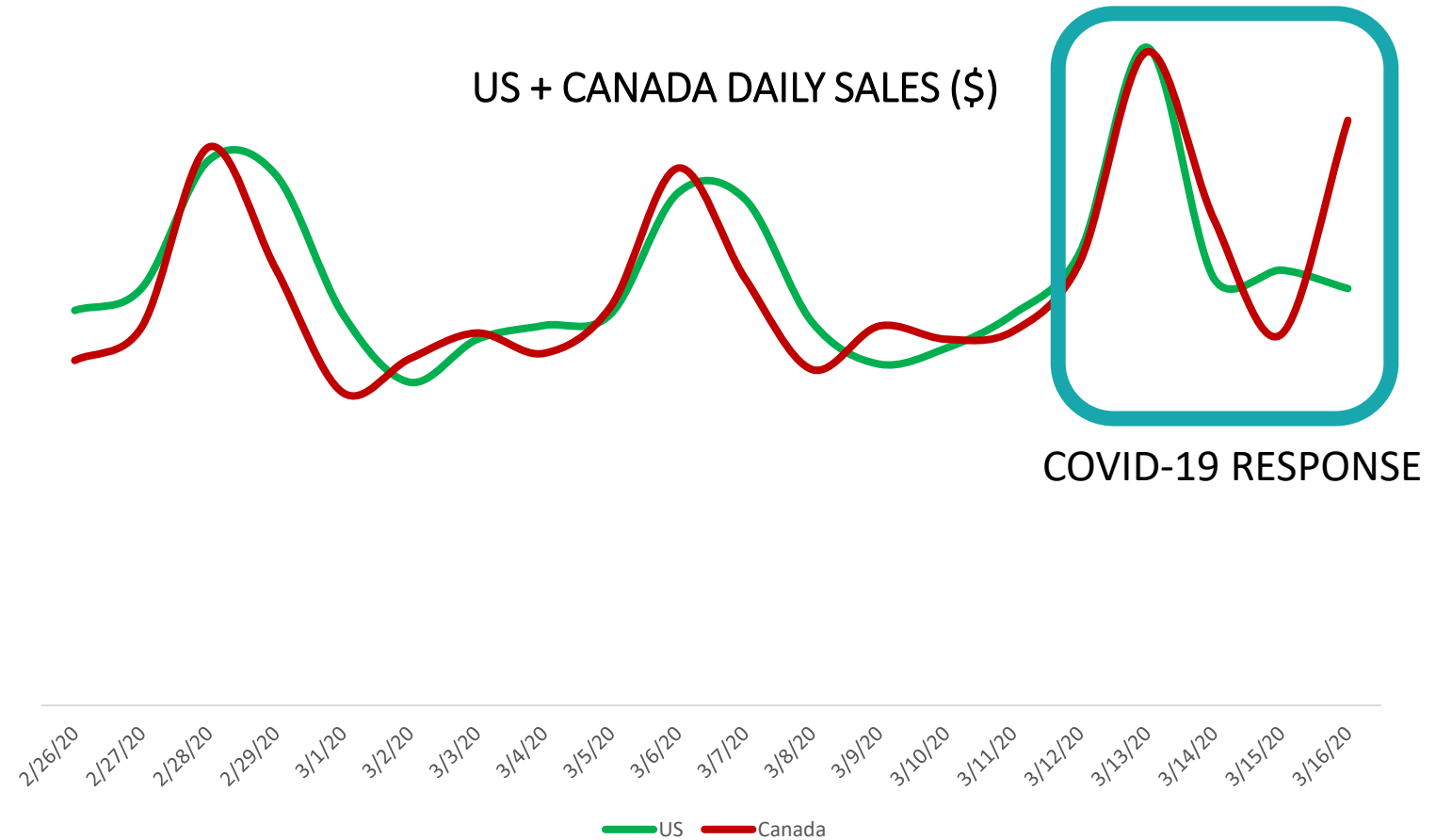
Canada cannabis sales spike on Friday 3/13—*the initial COVID-19 response and public call-to action*



Source: Buddi.io 3/19/2020

US and CAN display similar sales trends in 2020, including key COVID-19 initial response period

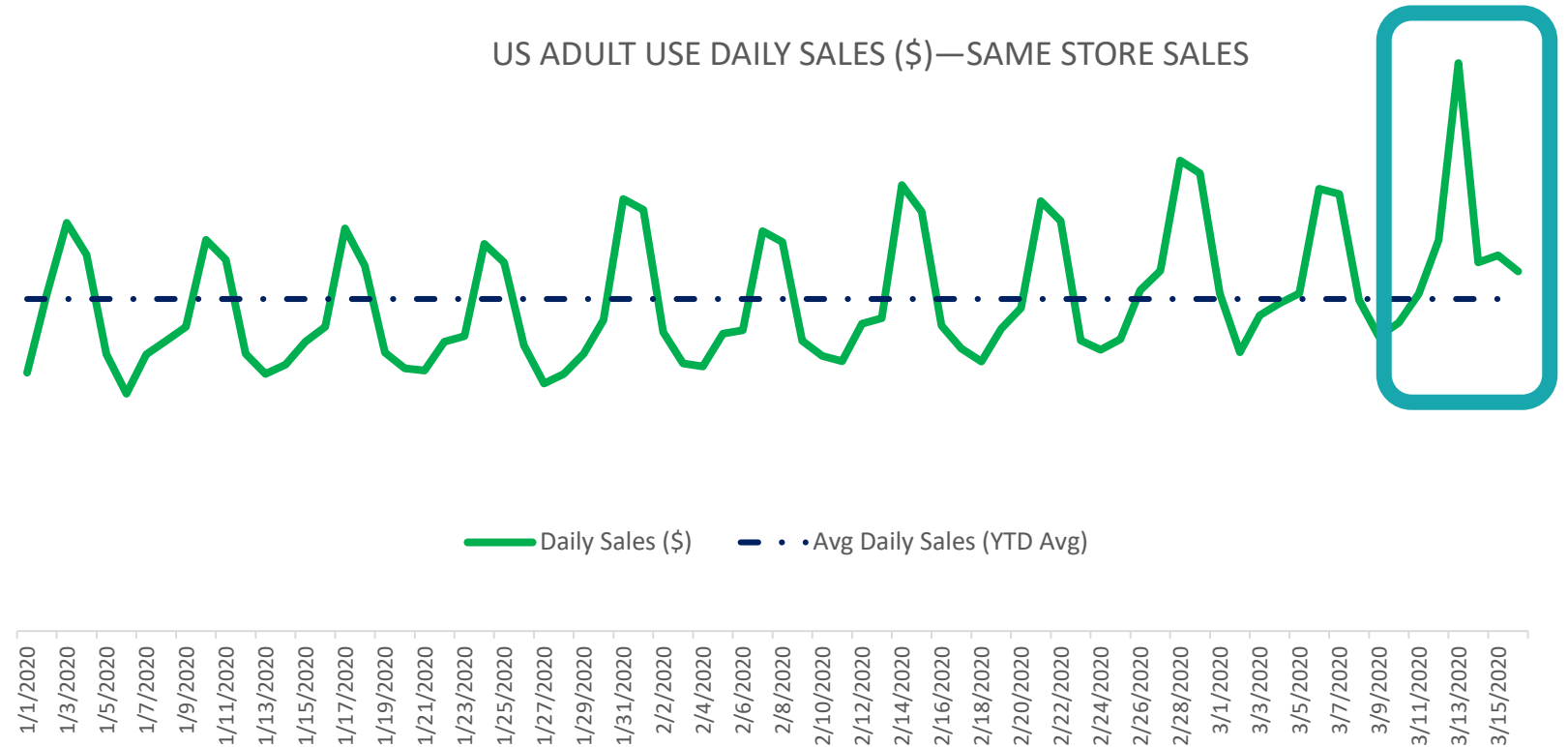
- Duration of peak sales tends to last longer in US
- Data out of Canada indicates significantly higher sales volume on Monday, surpassing even a normal weekend day



Source: BDS Analytics 3/18/20 and Buddi.io 3/19/20

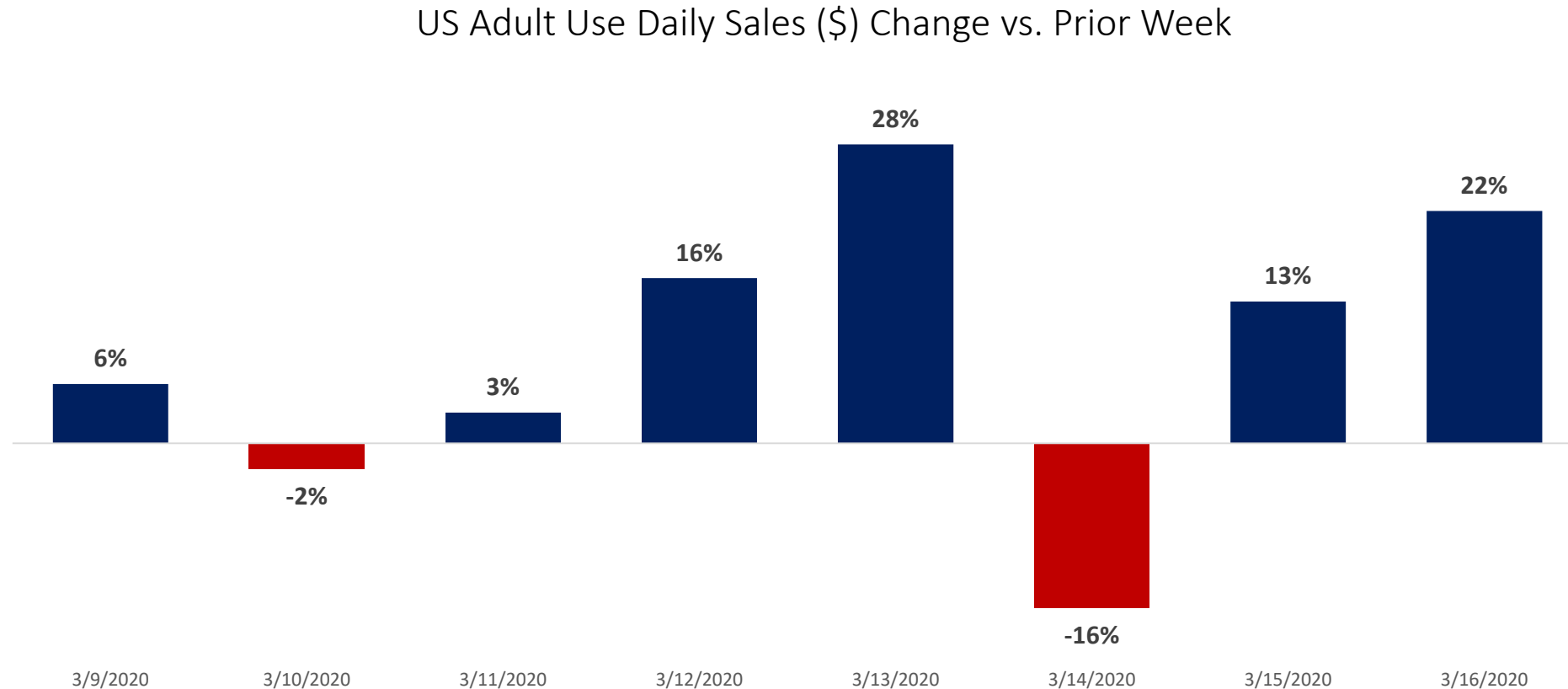
Similar to CAN, top US Adult-Use state markets saw an unprecedented spike at the time of the initial COVID-19 response

- **Peak on Friday 3/13**
 - Dollars +28% from previous Friday (3/6)
 - 71% spike 75-day avg. daily sales
- The 4-Consecutive days after COVID-19 initial response stronger than the prior 75-day average



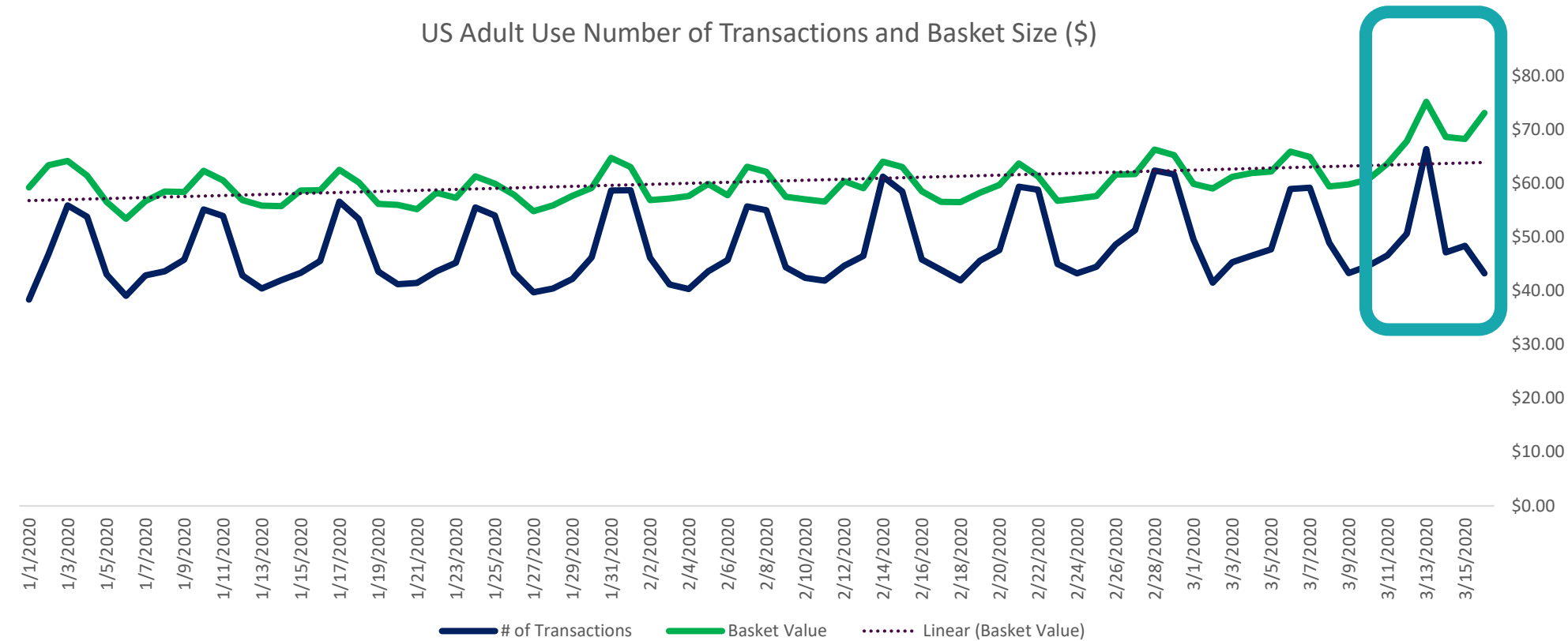
Source: BDS Analytics: Combined sales (adult-use retailers) CA, CO, NV, OR 3/19/20

Further, US sales peak Fri 3/13, negatively impacting Sat 3/14 sales



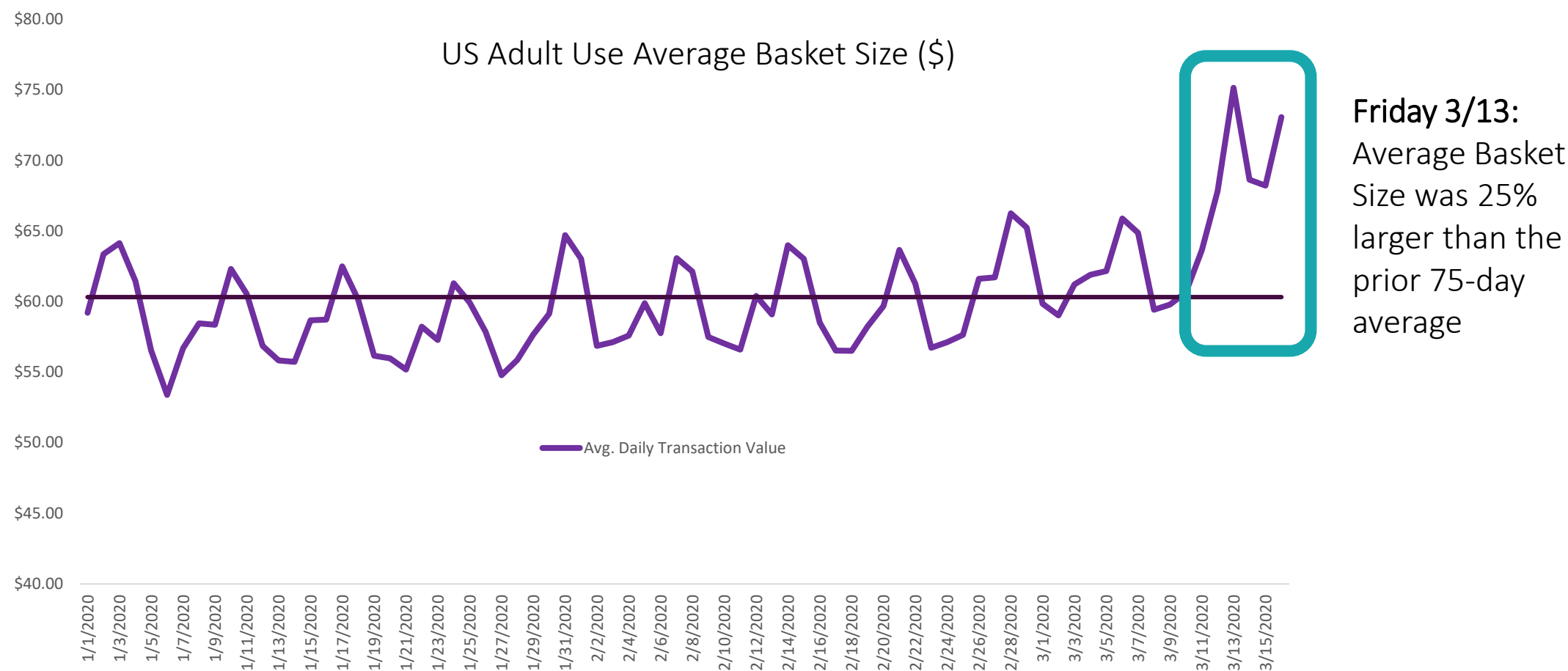
Source: BDS Analytics: Combined sales (adult-use retailers) CA, CO, NV, OR 3/19/20

The sales spike on Friday 3/13 is driven by more shoppers shopping AND a larger basket size—*a rush to stock-up*



Source: BDS Analytics: Combined sales (adult-use retailers) CA, CO, NV, OR 3/19/20

The basket size (\$) following the COVID-19 response far exceeded the average YTD



Source: BDS Analytics: Combined sales (adult-use retailers) CA, CO, NV, OR 3/19/20



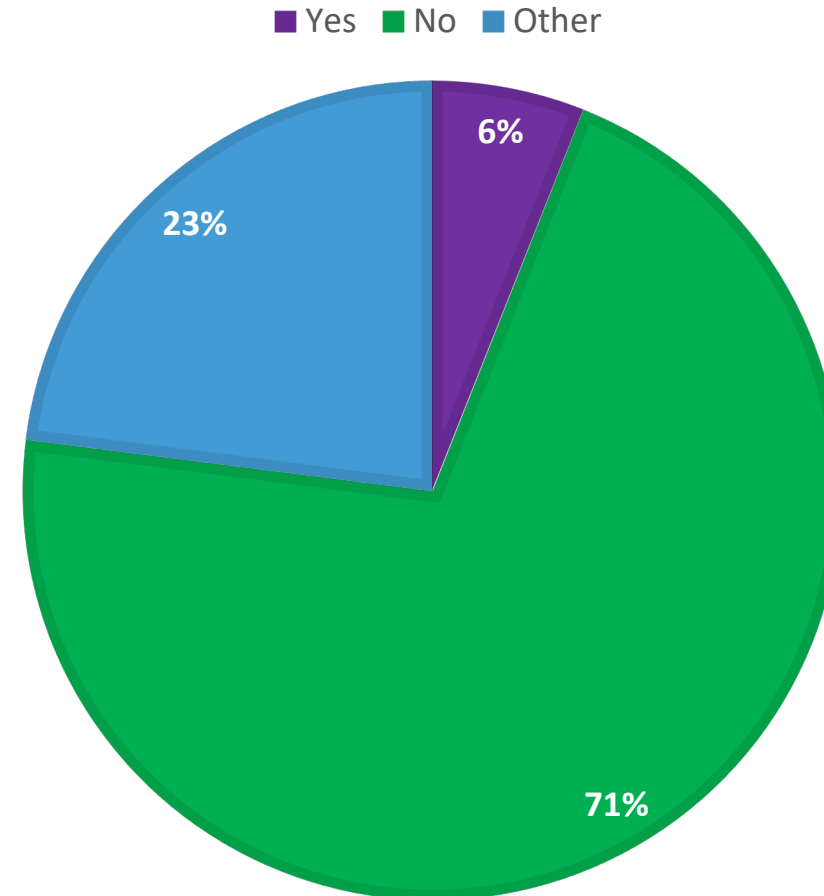
Retailer Insights

What retailers are telling us

Retailers do not intend to close...*unless mandated*

Q: Do you plan on closing temporarily regardless of government mandates?

- 71% of retailers indicate no intentions of closing unless mandated.
- 6% have/are planning to close regardless of any government mandates
- 23% wait and see approach

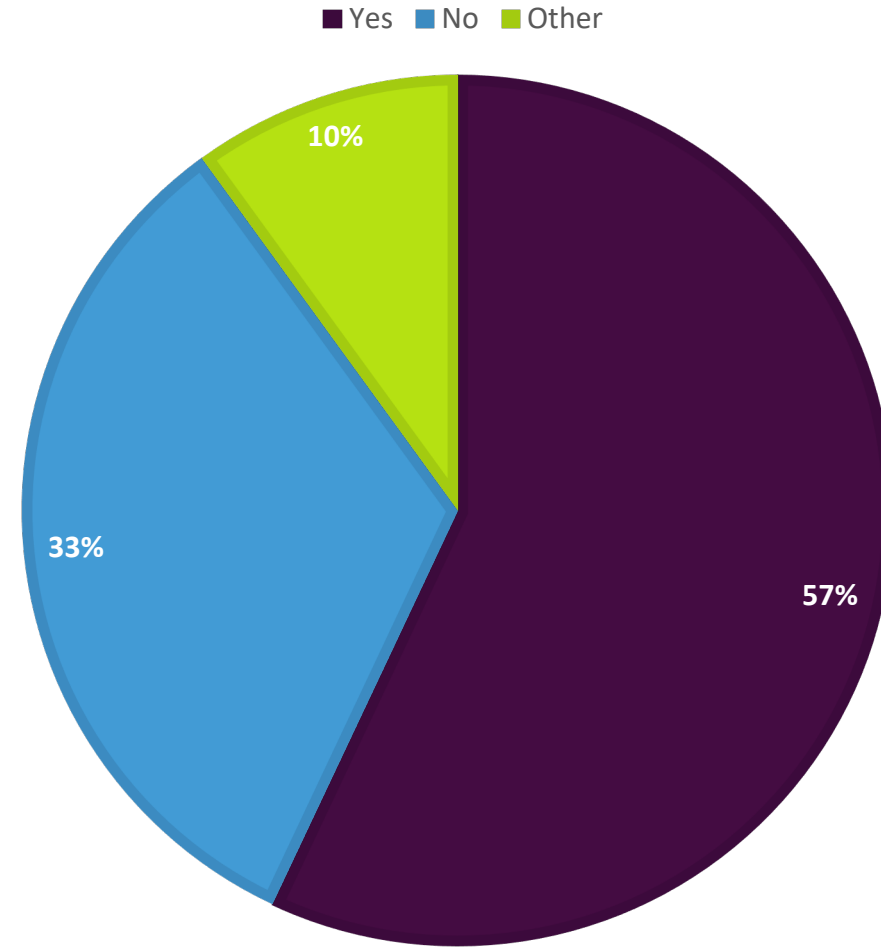


Source: BDS Analytics: Survey of dispensaries and retailers across US and Canada 3/17-3/19

Staffing issues an area to watch as government mandates change and individual circumstances evolve

Q: Are you experiencing any new staffing issues since the outbreak?

- 57% of retailers indicate staffing issues
- 33% report no significant staffing issues
- 10% fall into “other.” This includes owner/operator stores w/no staff, voluntary staff reductions, extending shifts to reduce contamination risks among staffers

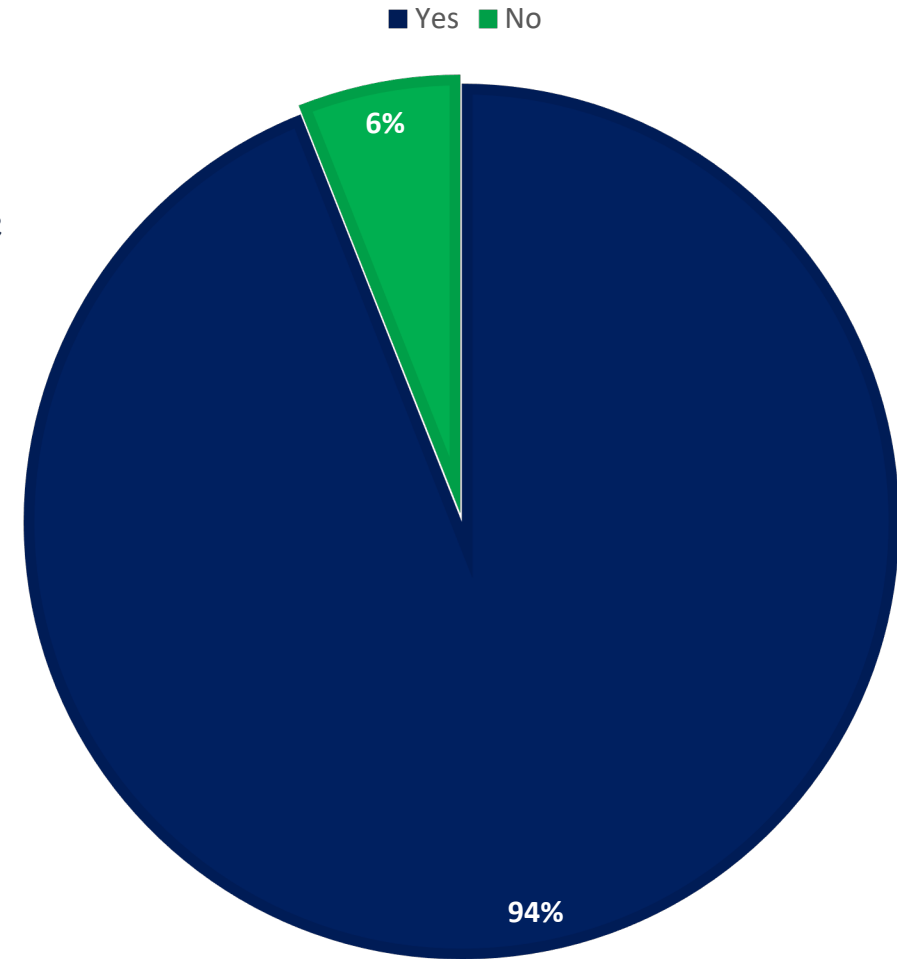


Source: BDS Analytics: Survey of dispensaries and retailers across US and Canada 3/17-3/19

As seen in sales data, retailers were busy after the initial COVID-19 response

Q: Have you noticed a change in shopper traffic

- 94% of retailers indicate increase in traffic versus prior week
- 6% reported no significant increase in traffic versus prior week. This group was comprised primarily of retailers/dispensaries in less densely populated communities.



Source: BDS Analytics: Survey of dispensaries and retailers across US and Canada 3/17-3/19

Flower is flying off the shelves they (retailers) tell us!

+50% of retailers reported significant increases in the sale of FLOWER

- More consumers purchasing flower
- Flower purchases made in larger quantities than 'typical'
- Some of those who reported strong flower sales indicated CBD heavy flower moving faster than usual

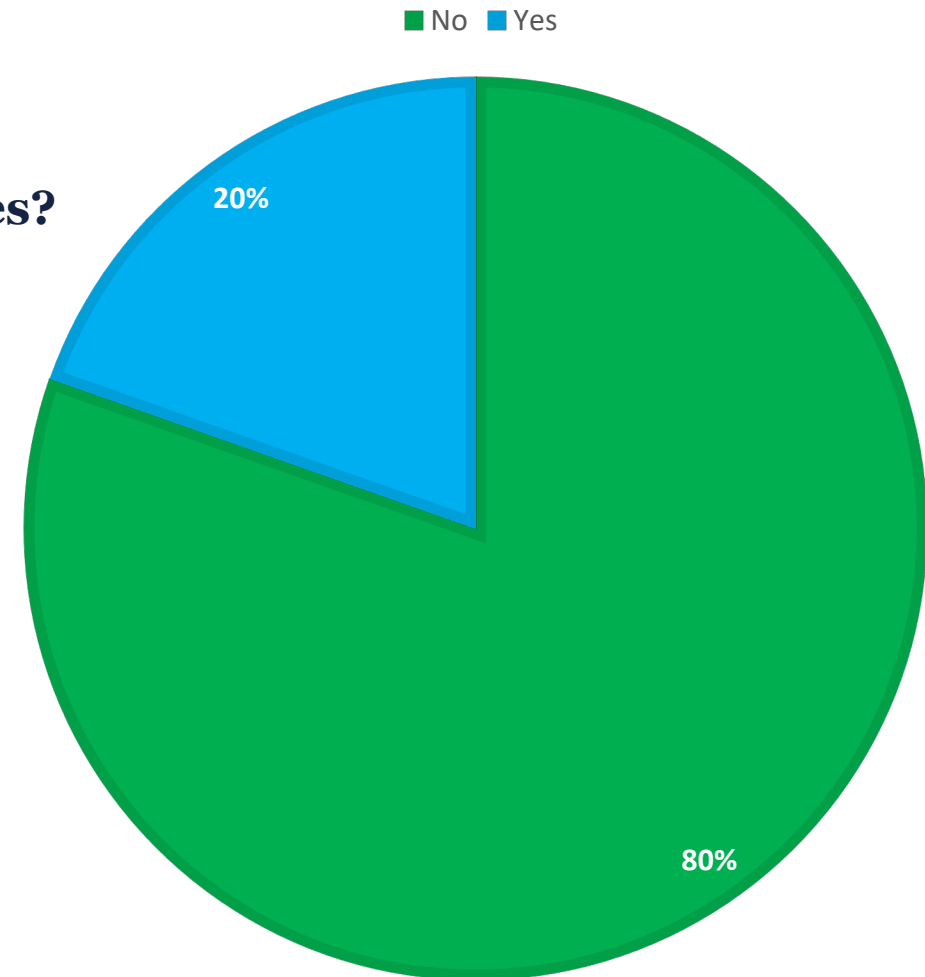
Edibles were the other category called out as being in high demand but still not as strong as Flower

Source: BDS Analytics: Survey of dispensaries and retailers across US and Canada 3/17-3/19

No major retailer concerns around supply as of 3/19

Q: Are you experiencing any supply chain issues?

- ONLY 20% of retailers reported supply chain issues
- Commonly reported shortages were for flower which is selling at a faster rate
- Other commonly reported supply issues were for non-cannabis products including coffee, cleaning supplies, and packaging and accessories shipped out of China



Source: BDS Analytics: Survey of dispensaries and retailers across US and Canada 3/17-3/19

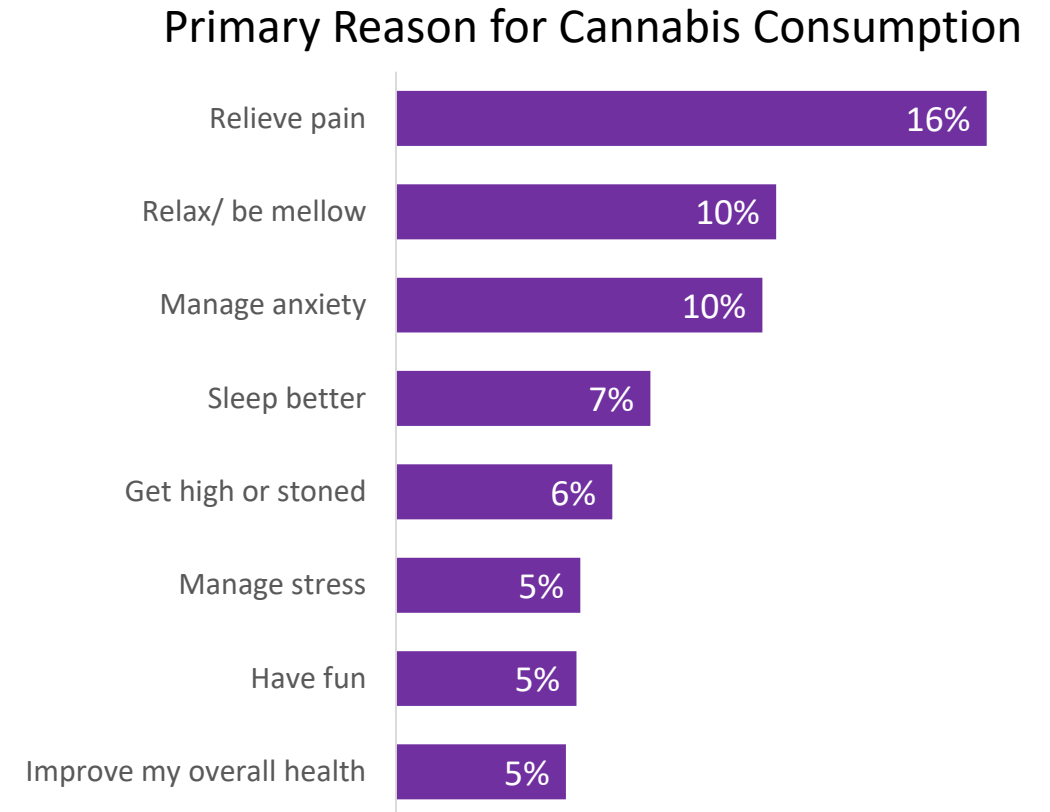
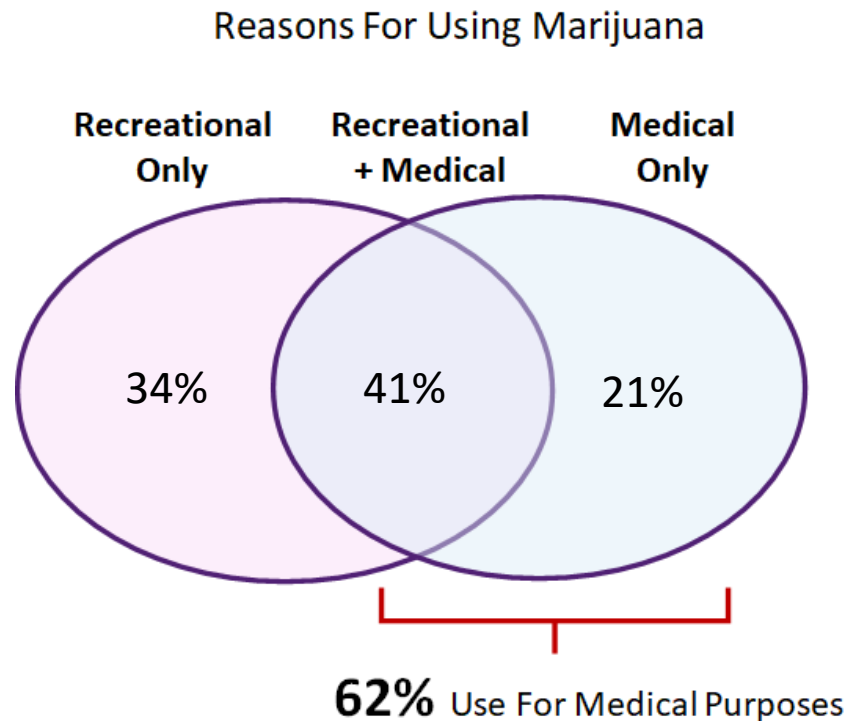


The Cannabis Consumer

Key Considerations for COVID-19 Response

Cannabis consumption is multi-faceted and multi-purposed

The majority of consumers look to cannabis for health, wellness, and medical benefits, with many consumption drivers relevant to the COVID-19 situation—*sleep, anxiety, relax, unwind, manage stress*

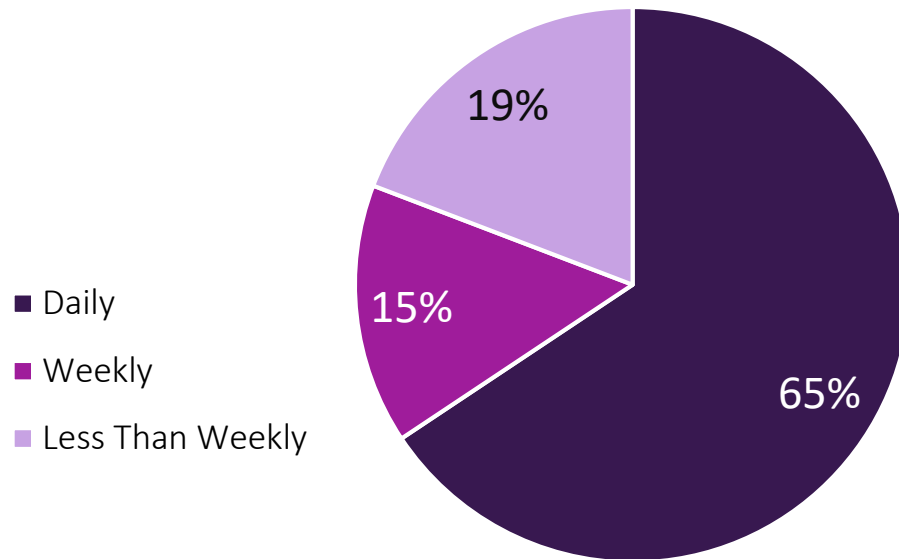


Source: BDS Analytics: Semi-Annual Cannabis Usage & Attitudes Tracking Study, Q3 2019

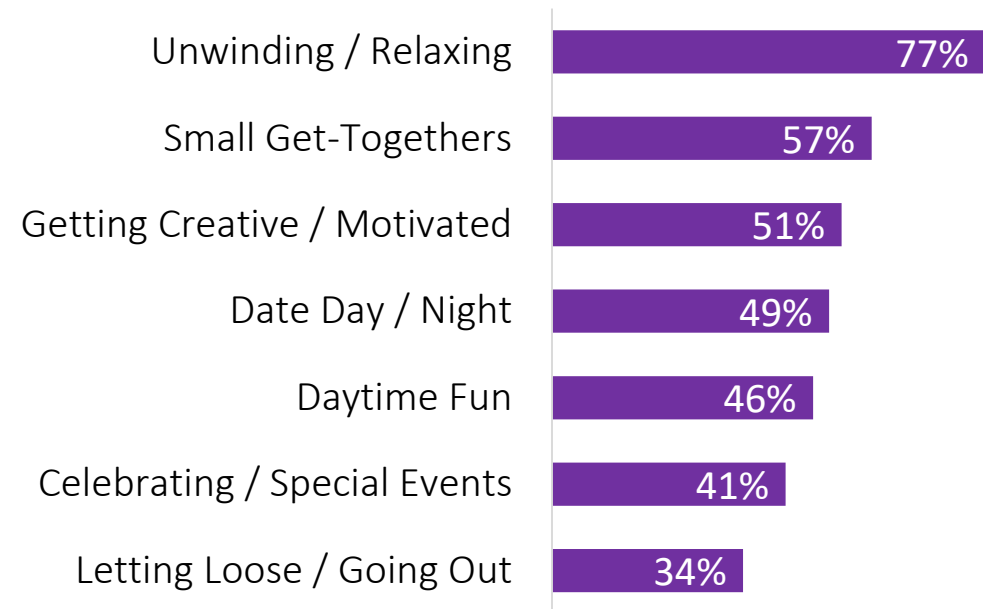
65% of Cannabis Consumers consume daily, alone or in small group settings

Cannabis consumption aligns closely with a quarantine or “lock-down” scenario. Consumption for many will likely increase being home all day and not having to travel to work or school or be around others socially

Frequency of Marijuana Consumption



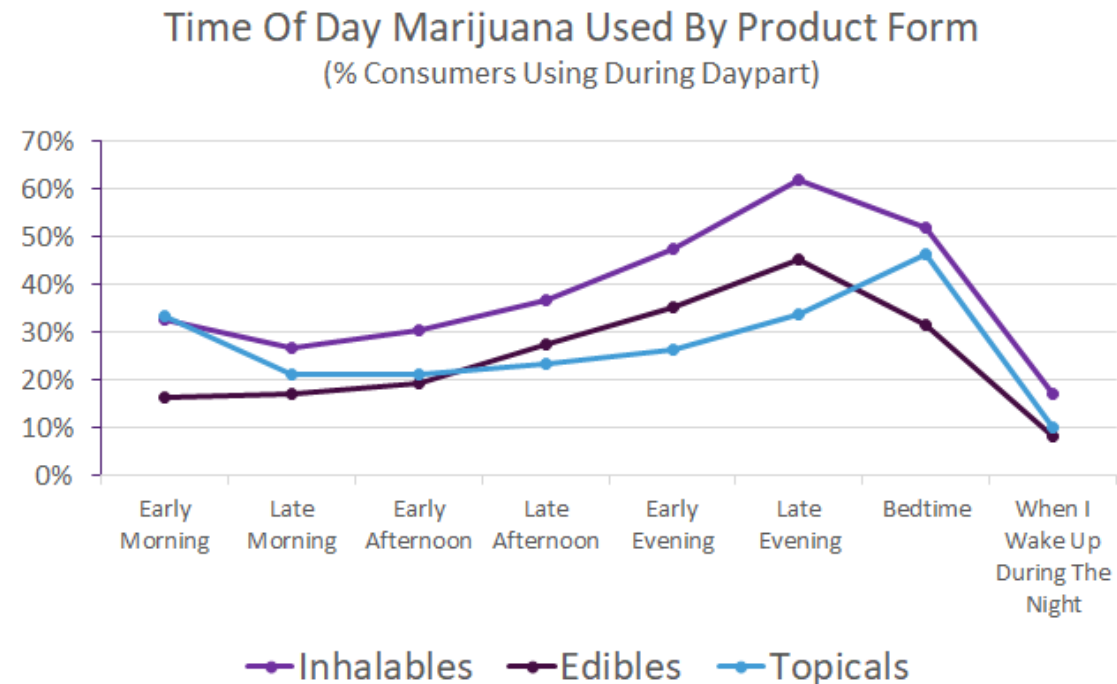
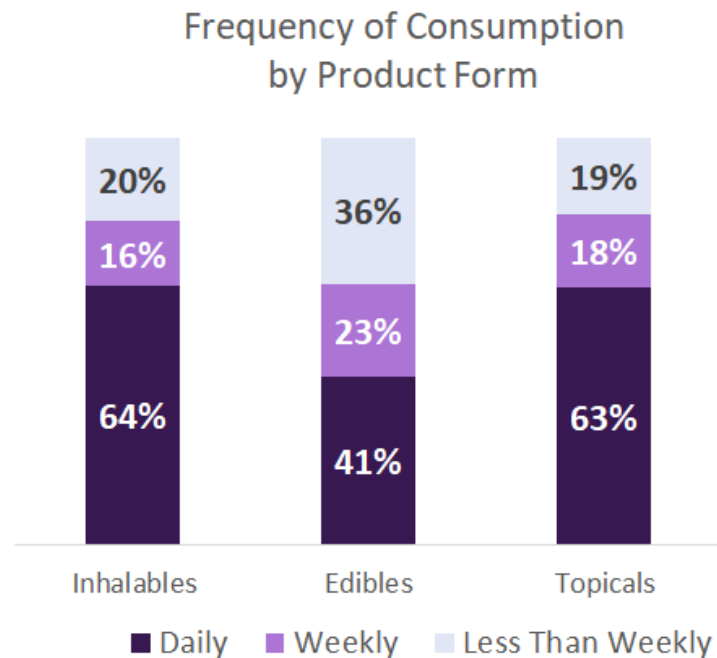
Social Occasions for Marijuana Consumption



Source: BDS Analytics: Semi-Annual Cannabis Usage & Attitudes Tracking Study, Q3 2019

Inhalables are already a daily routine for most inhalable consumers; with the flower stock-up we may see even greater consumption

Cannabis consumption across formats ramps in the evening and before bed post work or school. Being home could drive greater consumption across all day parts, consuming the “stockpile” faster than would be typical



Source: BDS Analytics: Semi-Annual Cannabis Usage & Attitudes Tracking Study, Q3 2019



What might this mean for the
future?

Purchasing and Consumption Dynamics for BDSA to Investigate Further...

- On-going Sales Trends and Impact
- Stocking Up (Pantry Loading) effect
 - Essential Medications
 - The Stock Effect
- Expectations about increased need longer term
 - Anxiety about the future
 - Absence of alternatives ("Love the One You're With")
- Fundamental shopping dynamics
 - Delivery Options, order ahead/pre-purchase
 - Access and Availability
 - Alternatives to the legal market
- Recession Effect?

Next Steps

- Weekly Friday Webinar
- On-going updates at <https://bdsanalytics.com/>
- Reach out with any questions, thoughts, or to learn more – [Contact Us](#)

BDSA Data & Methodology

- Point of sale data is collected and analyzed to identify sell-through trends
 - Price
 - Discount
 - Units
- Consumer research is conducted semi-annually via a survey
 - Attitudes
 - Motivations
 - Usage occasions
 - Frequency
 - Etc.
- Statistical analysis for this research based on 2020 YTD and 2019 data sets
- Data sets are preliminary and are subject to adjustment during BDSA's standard data processing cycle
- Retailer sentiment and data collected March 16-19, 2020 via telephone survey