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Quantifying the Marketplace:

Dimensions of the Cannabis Market and Consumer Perceptions

nielsen

NACS

MEET YOUR PRESENTER

>>

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Practice Area

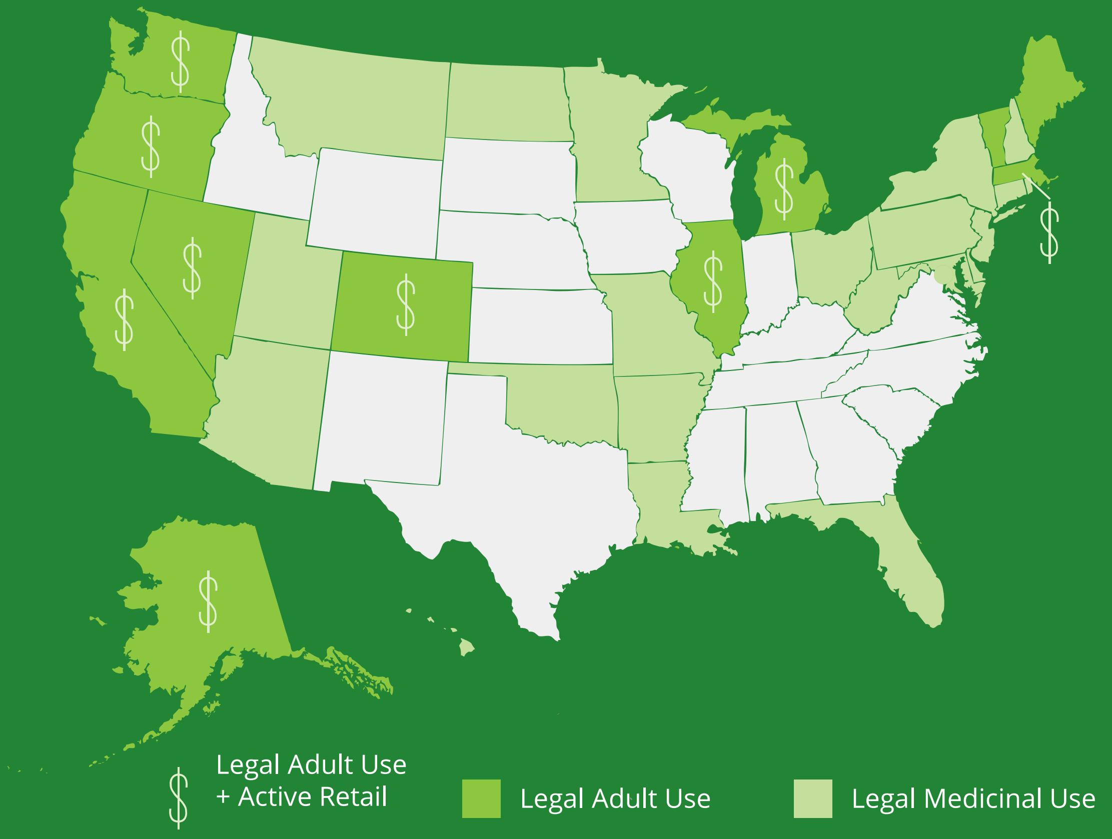
- CANNABIS
  - MARIJUANA PLANT
    - THC
    - THC-CBD
  - HEMP PLANT
    - HEMP SEED/OIL
    - HEMP-CBD

Psychoactive

Regulated channels / dispensaries

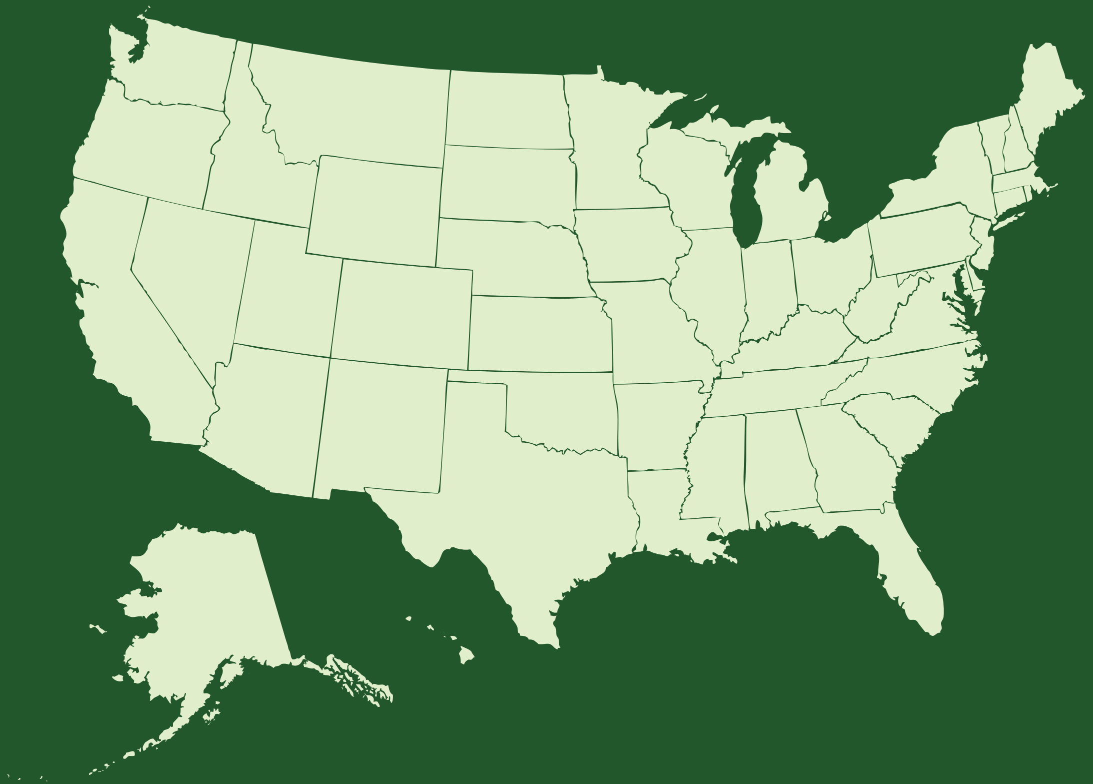
Non-Psychoactive

Unregulated / mainstream channels



LEGAL MARIJUANA STATE PATCHWORK

Recreational marijuana legal for 20% of adults.



HEMP-CBD DESCHEDULED IN 2018

FDA has not yet approved as an ingredient for ingestibles

USDA finalized Hemp Farming regulations so expect explosion in 2020

~178K acres planted in 2019

CANNABIS IS NOT COMPETING IN A VACUUM

$41B in sales by 2025
will challenge many existing
CPG categories.

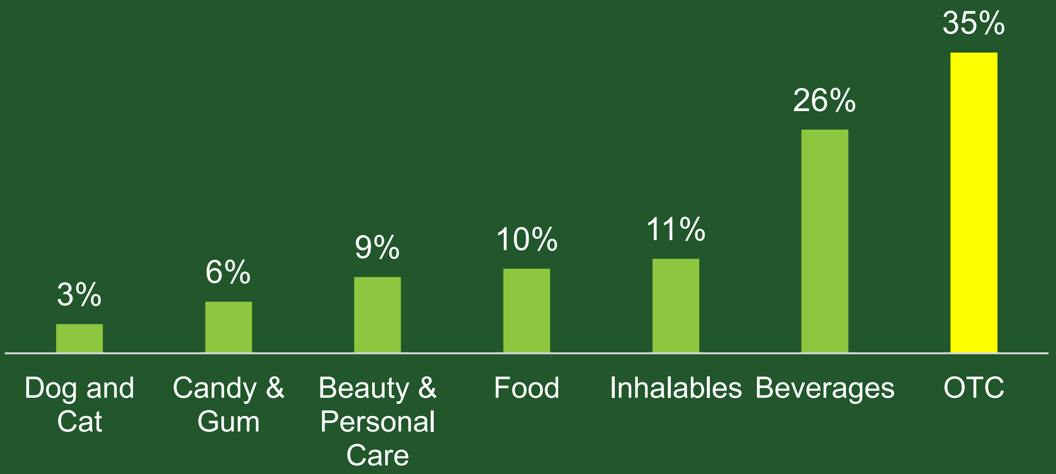
2025 SALES PROJECTIONS

ADULT-USE MARIJUANA	**$35B**
HEMP-DERIVED CBD	**$6B**

PROJECTED HEMP-CBD GROWTH BY CATEGORY

CATEGORY SHARE

HEMP-DERIVED CBD	**$6B**



KEY TRIGGERS THAT WILL DETERMINE ULTIMATE IMPACT CBD WILL HAVE ON CPG.

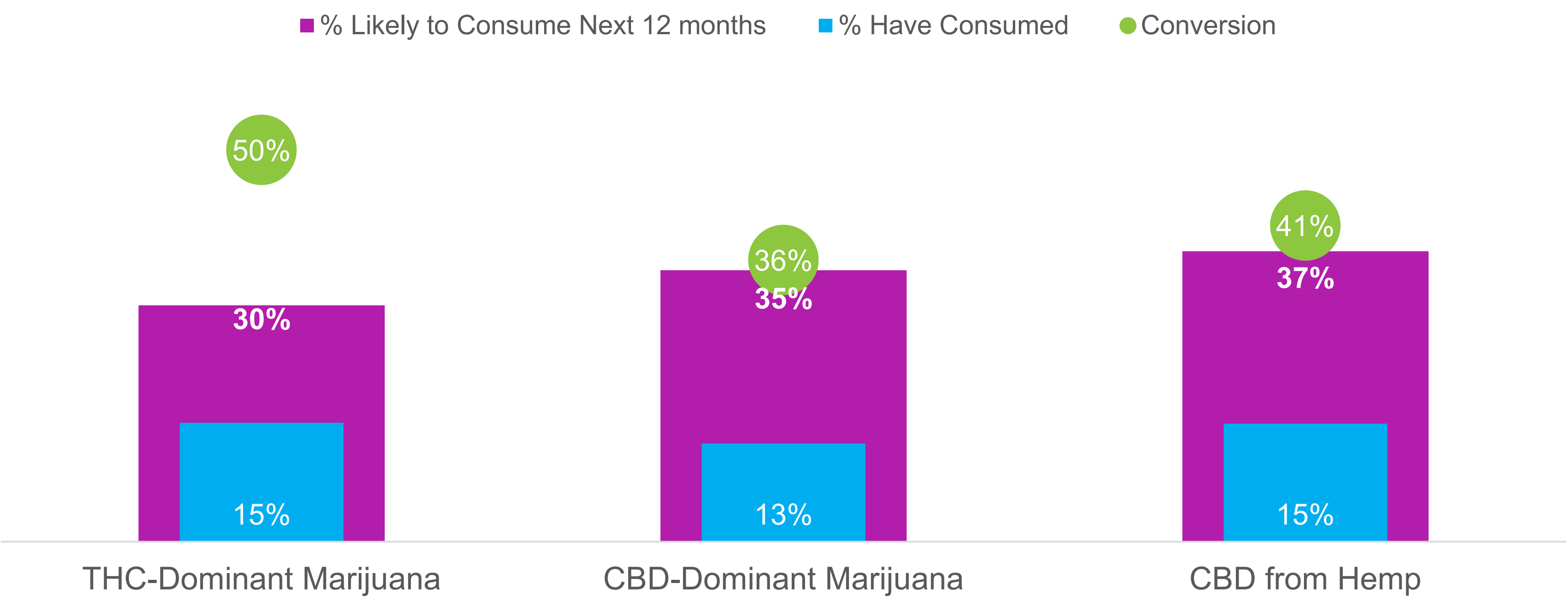
- FDA approval on ingestible formats
- Consumer education – especially among Seniors
- Healthcare professional recommendations on CBD
- Efficacy of CBD – actual or perceived via marketing
- Price gap between CBD & CPG counterparts - CBD PRICES WILL DROP SIGNIFICANTLY IN 2020 / 2021
- Distribution of CBD products in Brick and Mortar AND Amazon
- Creation of CBD Private Labels
- Adoption of CBD as functional ingredient within current CPG brands
- Resonance of “Natural” and “Good for you” vs. current state CPG
- Halo effect on Pain and Sleep of CBD to satisfy multiple needs

CONSUMER NEEDS SOLVED BY CANNABIS:

PAIN MANAGEMENT
HEALTH & WELLNESS
HABIT BREAKING
EXPERIENCE ENHANCEMENT
SOCIAL ENABLEMENT

MARIJUANA
HEMP CBD

CONVERSION RATES AMONG US ADULTS….MUCH ROOM TO GROW.



Source: Nielsen Thinking Beyond the Buzz CBD Study (US) 2019. **NOTE: "Active" states include WA, OR, CA, NV, CO, MA.*

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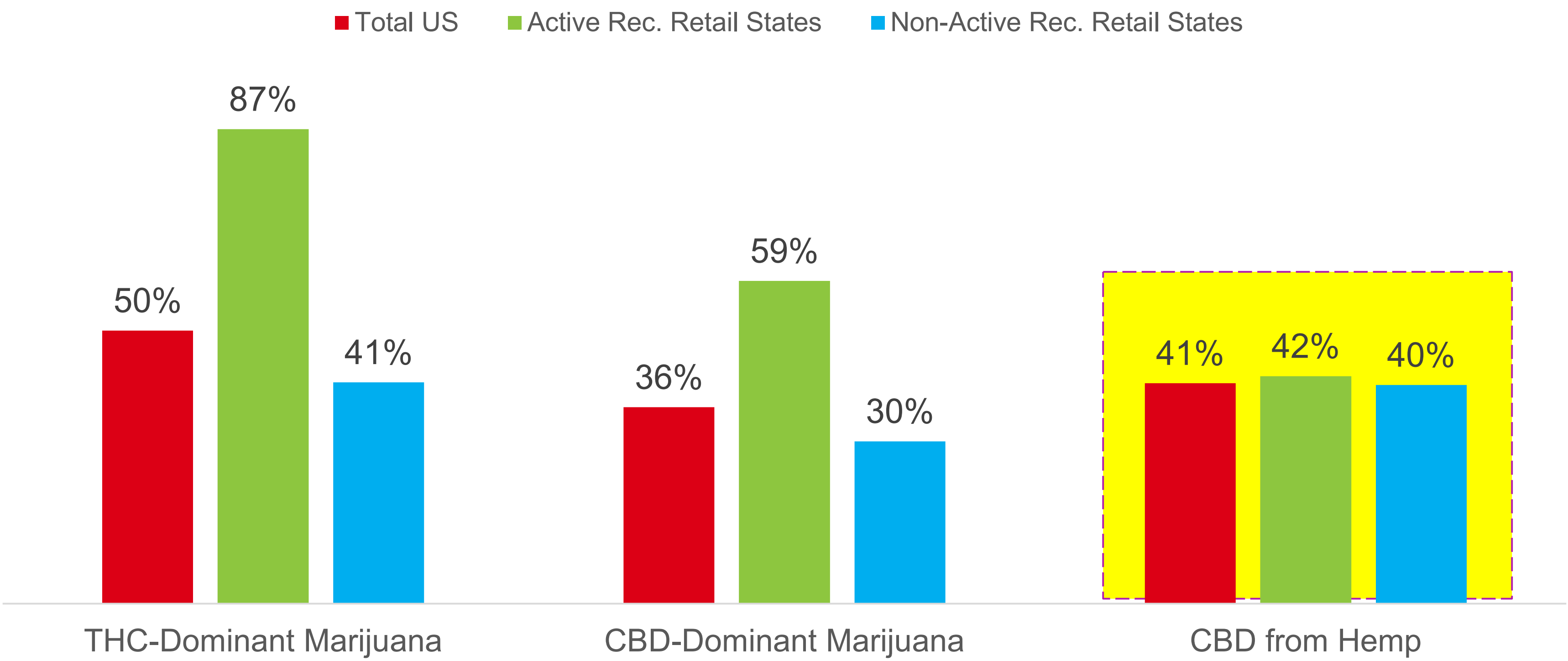
HEMP CBD PRESENTS SIMILAR OPPORTUNITIES REGARDLESS OF MARIJUANA STATE LAWS.



Source: Nielsen Thinking Beyond the Buzz CBD Study (US) 2019. **NOTE: "Active" states include WA, OR, CA, NV, CO, MA.*

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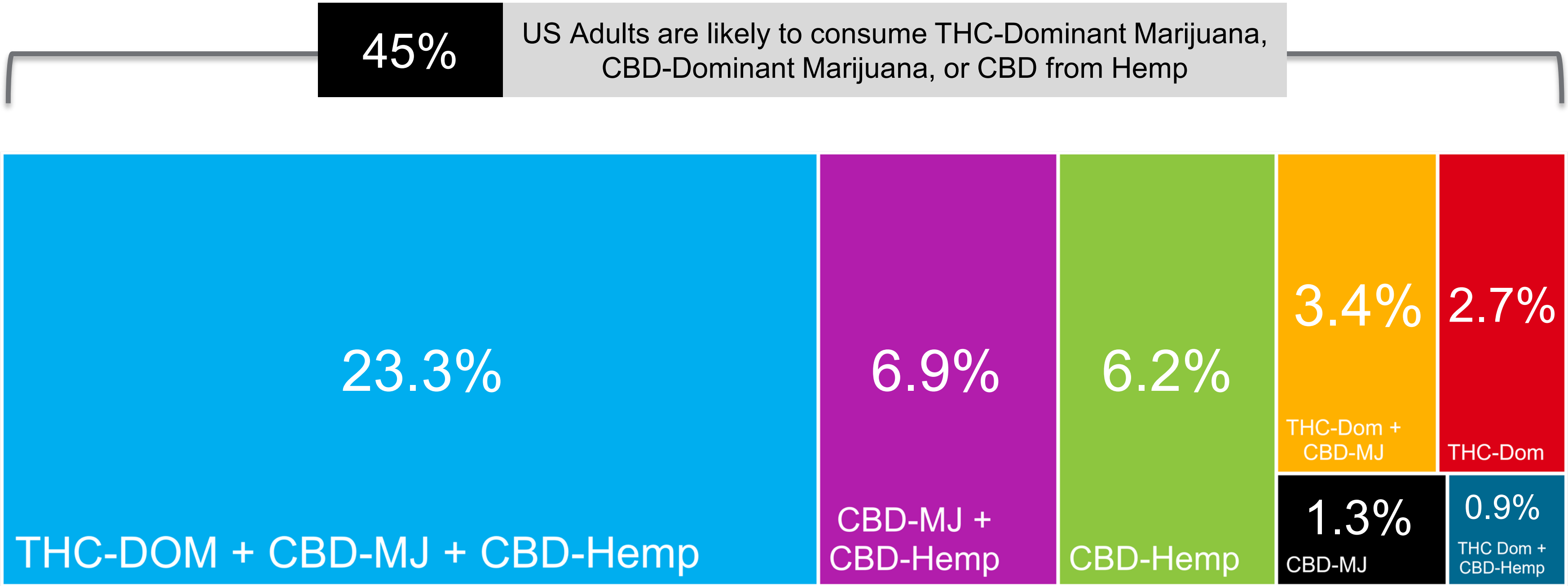
THE LARGEST GROUP OF CANNABIS-INTERESTED ADULTS HAVE INTEREST IN ALL TYPES.



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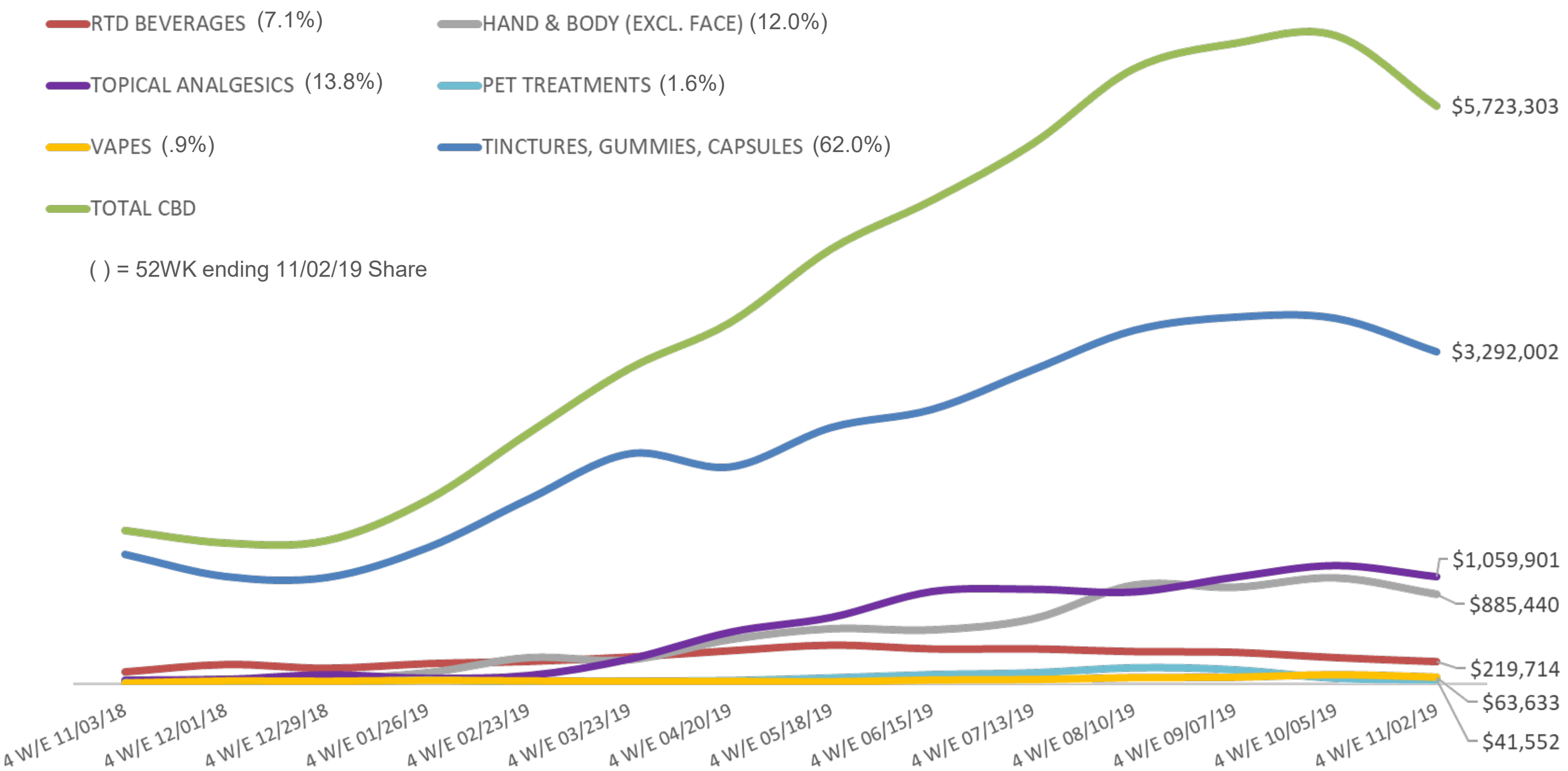
Source: Nielsen Thinking Beyond the Buzz CBD Study (US) 2019.

KEY MARIJUANA TAKEAWAYS

C-Stores can't play in marijuana….however it's still important to monitor

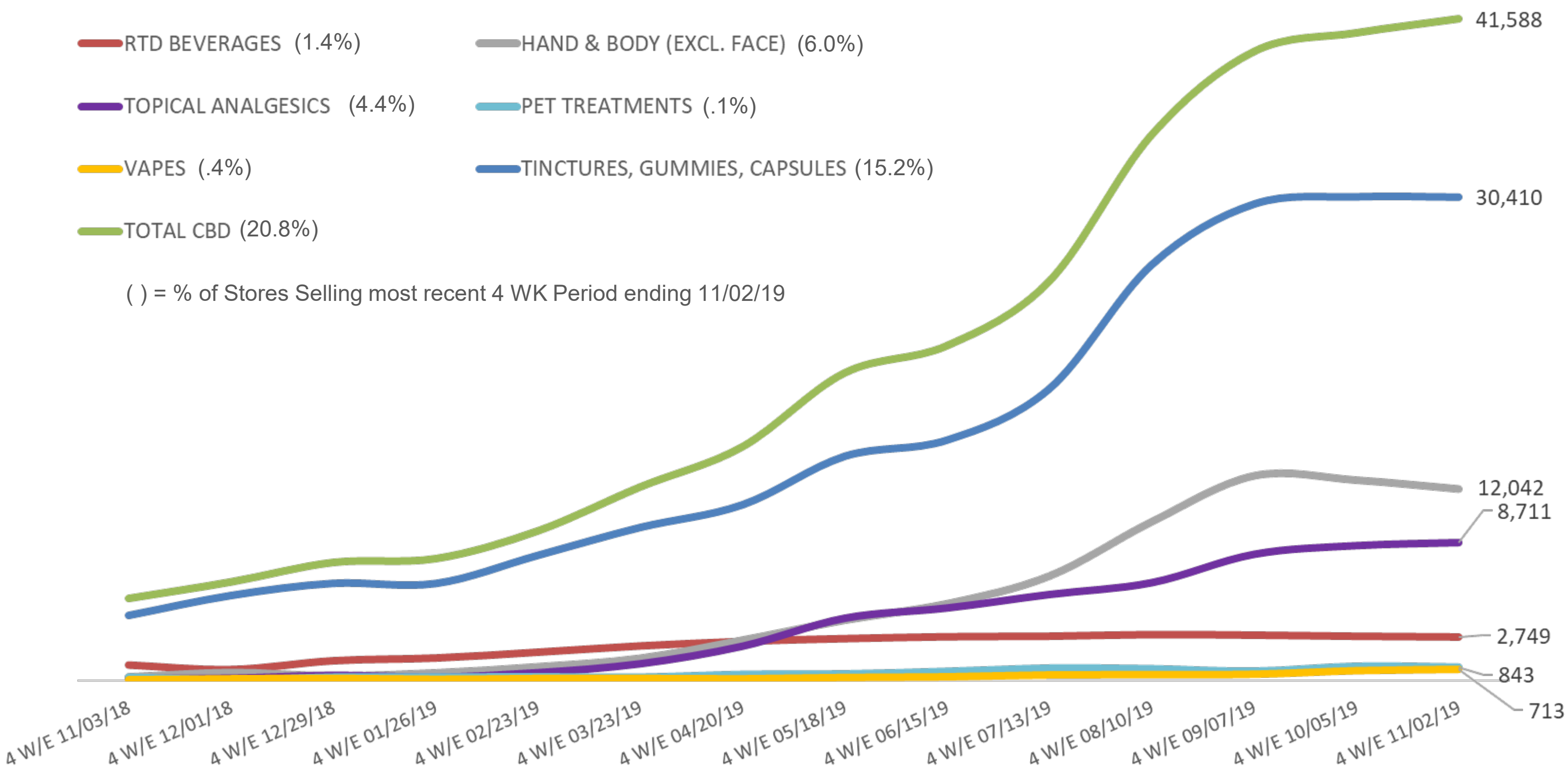
- C-Store shoppers have marijuana as a consideration in solving needs satisfied by Hemp-CBD, plus additional need state solutions
- These additional needs can have a negative impact on key C-store categories (e.g., tobacco, beer, wine, spirits)
- Greater future risk if Congress passes marijuana "friendly" legislation
- New markets opening up in 2020 (MI, IL)
- Should consider different in-store merchandising and communication programs depending on marijuana's legality in a state

CBD DOLLAR SALES TRENDS – GROCERY, DRUG, AND CONVENIENCE CHANNEL



Source Nielsen xAOC+Convenience RMS Scan Data

NUMBER OF STORES SELLING CBD – GROCERY, DRUG, AND CONVENIENCE CHANNEL



Source Nielsen xAOC+Convenience RMS Scan Data

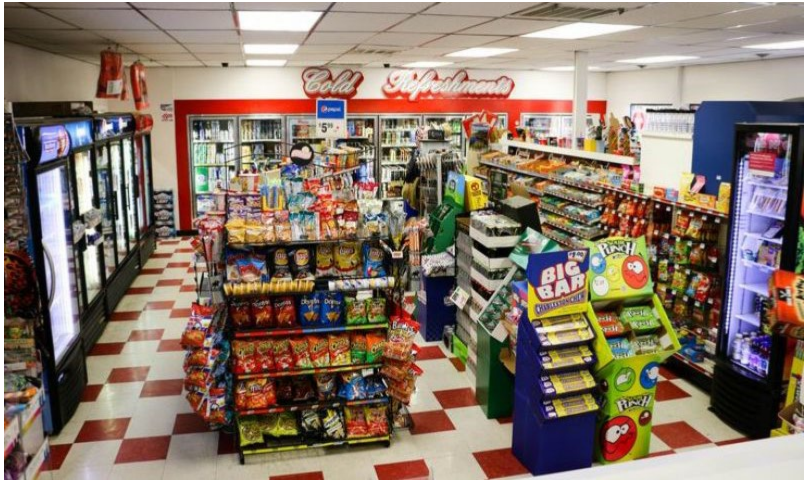
HEMP-CBD GROWTH IN RETAIL CHANNELS INCLUDE C-STORES

BARTELL DRUGS
RITE AID
Kroger
CVS pharmacy
Walgreens
Winn✓Dixie
GIANT EAGLE
FRESH THYME FARMERS MARKET
Wegmans
Albertsons
WHOLE FOODS MARKET
Lucky's Market

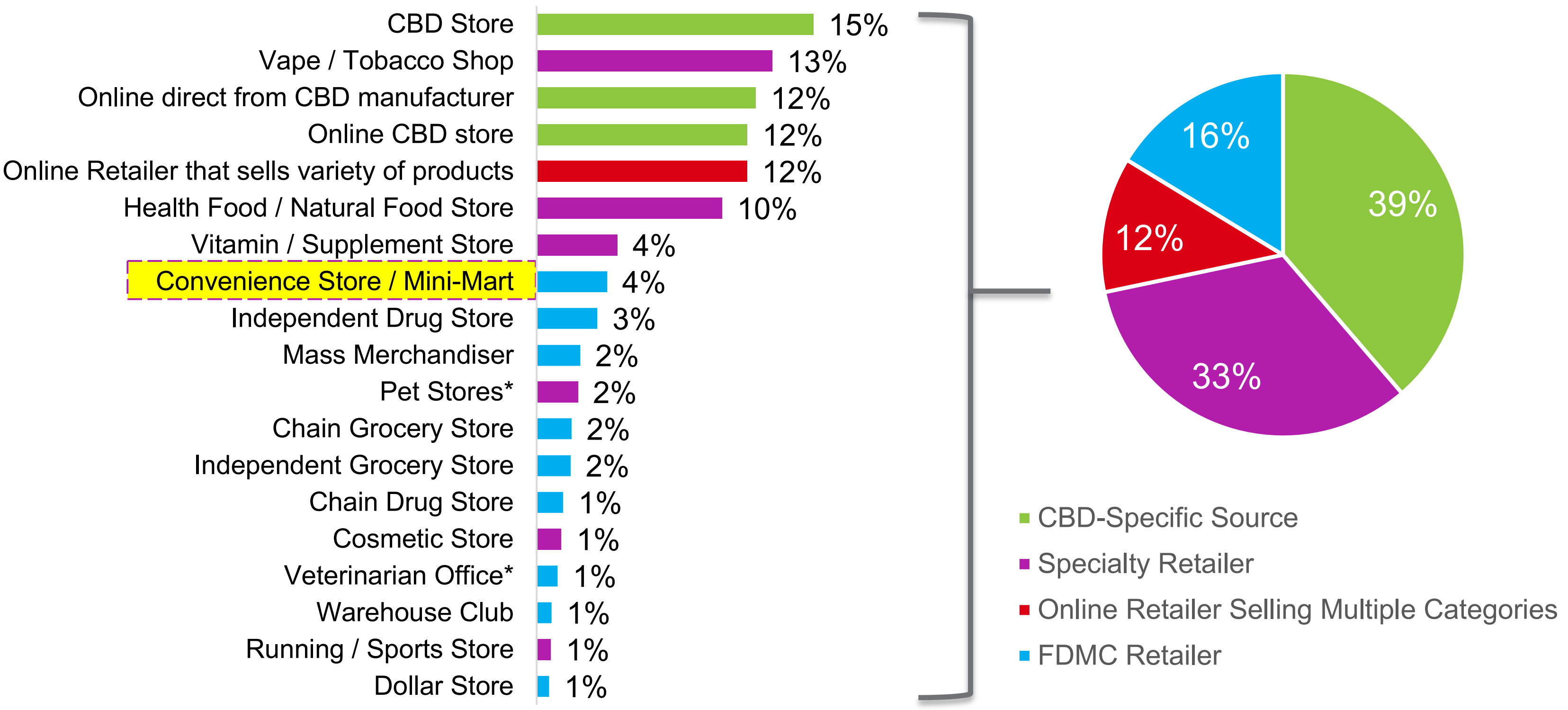
76
bp
CIRCLE K
SUNOCO
KANGAROO EXPRESS
Chevron
MARATHON
ampm
7 ELEVEN

SHOPPER EXPERIENCE AT DISPENSARIES…

....VERSUS SHOPPER EXPERIENCE AT FDMC IS VERY DIFFERENT.

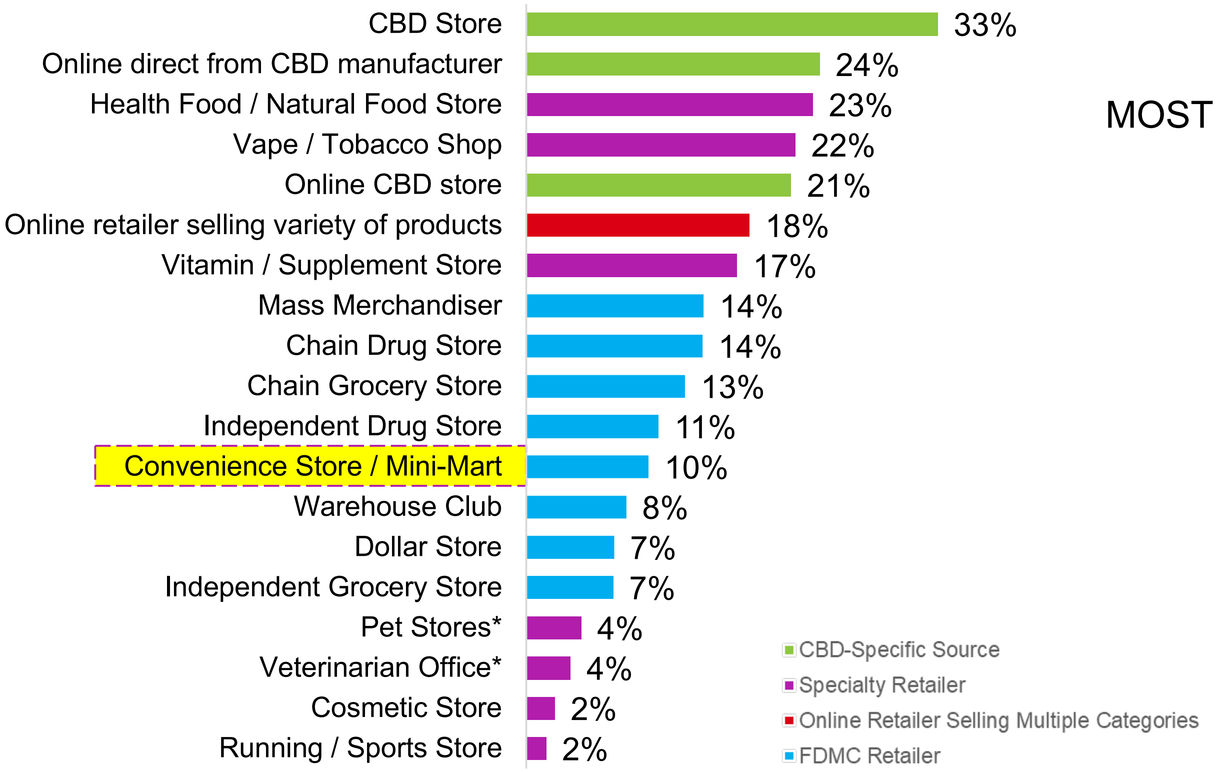


HEMP-DERIVED CBD PURCHASING – SHARE OF PURCHASERS WHO'VE BOUGHT FROM A CHANNEL



Source: Nielsen Thinking Beyond the Buzz CBD Study (US) 2019. *NOTE: "Pet Store" and "Veterinarian Office" only shown to those who own a pet.*

WHERE DO HEAVY C-STORE SHOPPERS WANT TO SOURCE HEMP-CBD?



MOST DIFFERENTIATED CHANNELS

HEAVY C-STORE SHOPPERS

C-Store

Dollar Store

Vape Shop

Source: Nielsen Thinking Beyond the Buzz CBD Study (US) 2019.

TOP 5 REASONS FOR CONSUMING CBD
ALL CBD-INTERESTED ADULTS

1 Chronic Pain

2 Temporary Pain

3 Sleep Aid

4 Inflammation

5 Relaxation

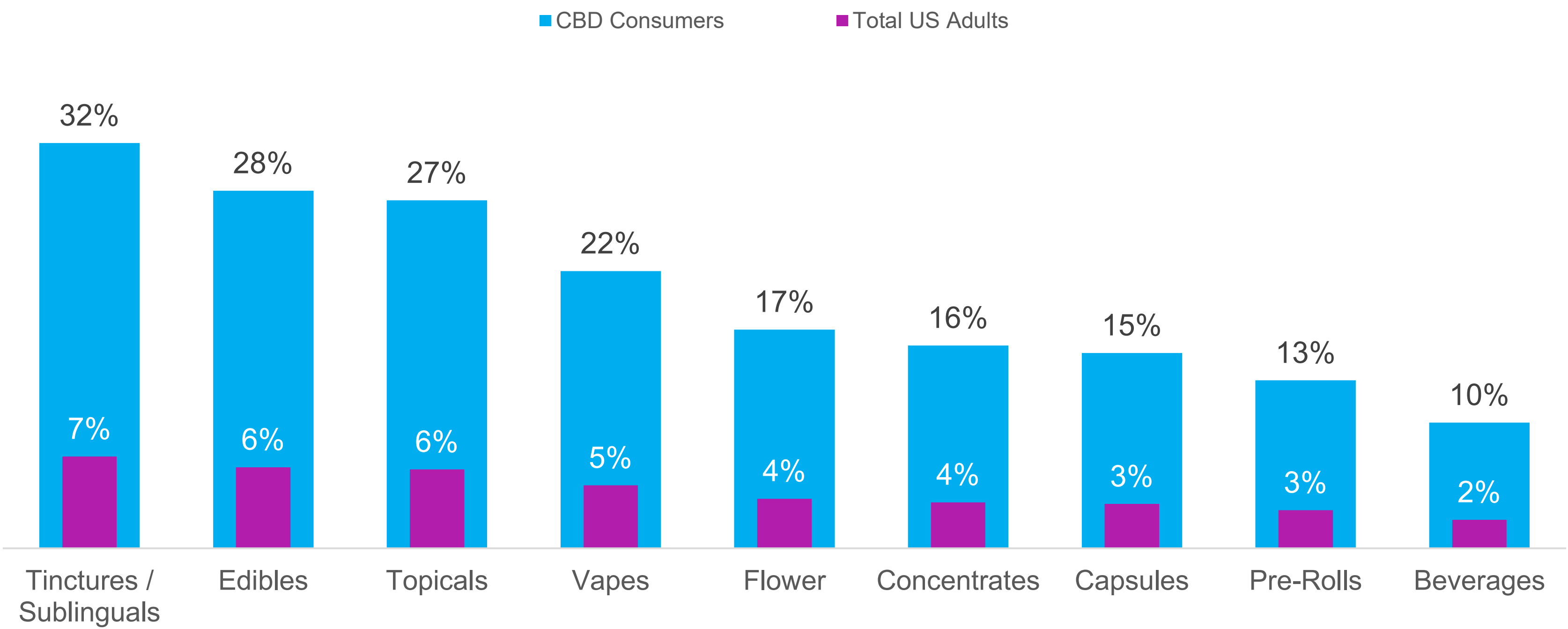
DIFFERENTENTIATED REASONS
HEAVY C-STORE SHOPPERS

Cessation

Replacement

Source: Nielsen Thinking Beyond the Buzz CBD Study (US) 2019

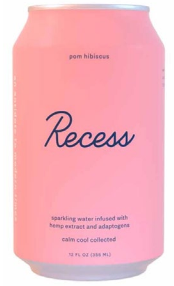
CBD-DOMINANT FORMAT USAGE AMONG CBD USERS



CBD. Source: Nielsen Thinking Beyond the Buzz CBD Study (US) 2019.

HEAVY C-STORE SHOPPERS ARE MORE LIKELY TO CONSUME INHALABLE FORMS.

CBD-DOMINANT FORMATS – CURRENT USAGE OF HEAVY C-STORE SHOPPERS VS. TOTAL US ADULTS

PRE-ROLLS	VAPES	FLOWER	BEVERAGES
			
+19%	+18%	+16%	+16%

Source: Nielsen Thinking Beyond the Buzz CBD Study (US) 2019

HOW TO ACTIVATE HEAVY C-STORE SHOPPERS?

DIFFERENTIATED MOTIVATORS
HEAVY C-STORE SHOPPERS

Works better than OTC

Works better than Rx

Pleasant Taste

Recommended by a Friend

Delivery Option

DIFFERENTENTIATED DECISION DRIVERS
HEAVY C-STORE SHOPPERS

Packaging Appeal

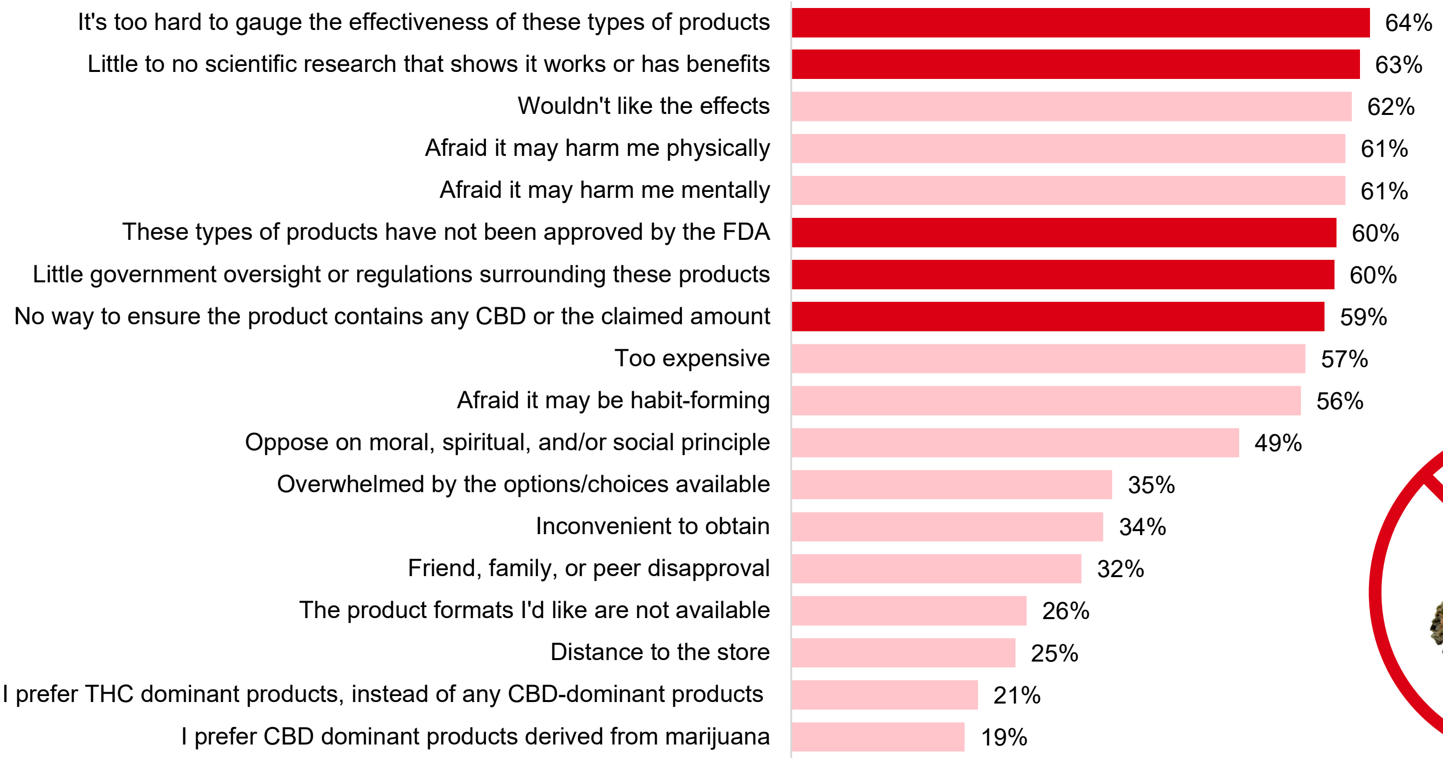
Brand

Contains other cannabis-derived compounds (plus THC / CBD)

Source: Nielsen Thinking Beyond the Buzz CBD Study (US) 2019

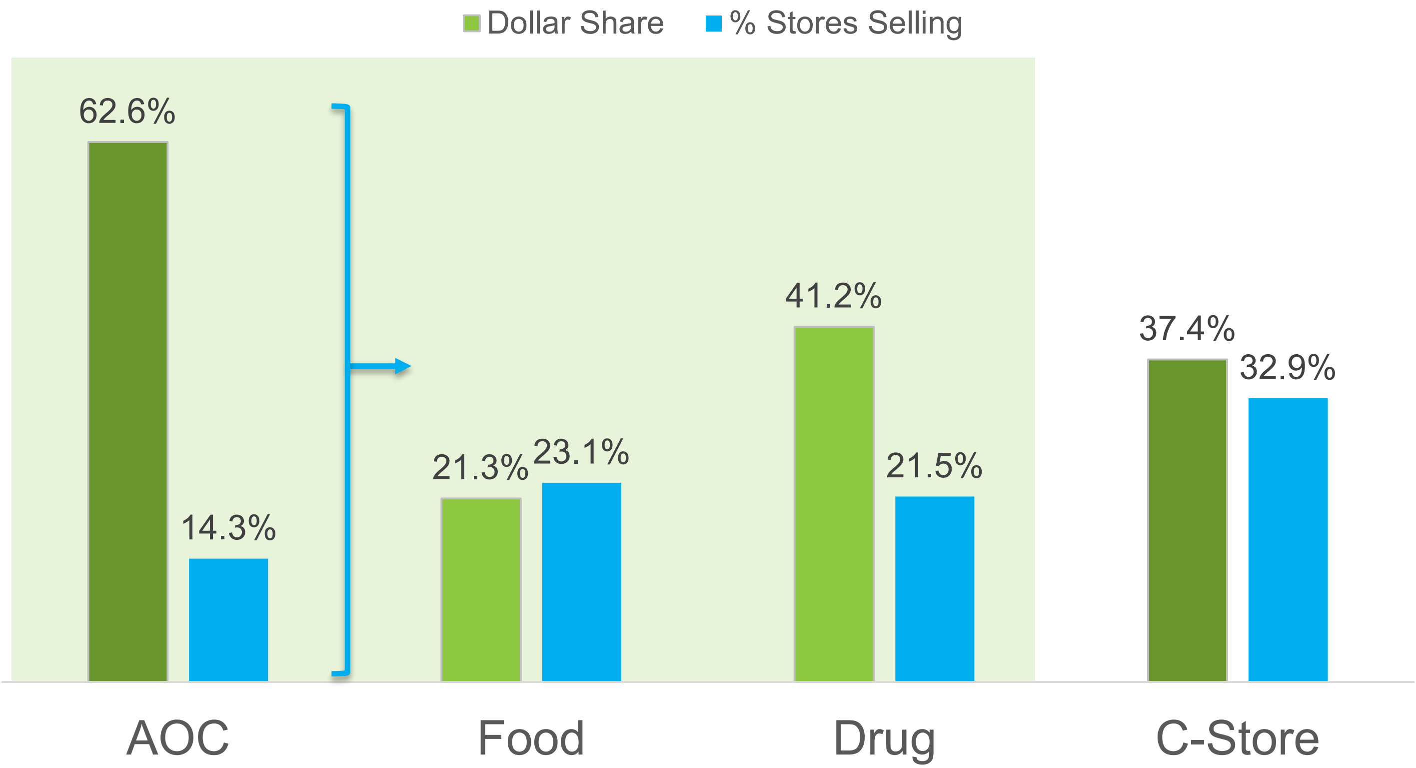
BARRIERS TO CONSUMING HEMP-CBD PRODUCTS – % RATE AS IMPORTANT

AMONG HEAVY C-STORE SHOPPERS WHO ARE "NOT VERY" or "NOT AT ALL" LIKELY TO CONSUME HEMP-CBD IN NEXT 12 MONTHS



Source: Nielsen Thinking Beyond the Buzz CBD Study (US) 2019.

CHANNEL DOLLAR SHARE OF CBD (TOTAL = $46MM / 24.7% SELLING)



CBD BRAND DEVELOPMENT BY CHANNEL

AOC+C-Store - Top 10	Share	AOC - Top 10	Share	C-Store - Top 10	Share
BRAND A	20.4%	BRAND A	32.6%	BRAND B	47.3%
BRAND B	18.0%	BRAND D	12.7%	BRAND C	38.8%
BRAND C	14.6%	BRAND E	11.1%	BRAND M	3.6%
BRAND D	8.0%	BRAND F	7.6%	BRAND N	2.9%
BRAND E	7.3%	BRAND G	5.2%	BRAND O	2.1%
BRAND F	4.8%	BRAND H	4.6%	BRAND J	1.2%
BRAND G	3.3%	BRAND I	3.8%	BRAND P	0.9%
BRAND H	2.9%	BRAND J	2.6%	BRAND E	0.9%
BRAND I	2.4%	BRAND K	1.9%	BRAND Q	0.8%
BRAND J	2.1%	BRAND L	1.9%	BRAND R	0.5%
Top 10 Share in AOC + C	83.7%	Top 10 Share in AOC	84.1%	Top 10 Share in C-Store	99.1%
Average Price	$22.28	Average Price	$43.88	Average Price	$10.47
Price Range	$9.48 - $69.97	Price Range	$17.69 - $69.97	Price Range	$3.18 - $31.74

Source: Nielsen POS xAOD+C-STORE | 52 Weeks ending 10/04/19

KEY POINTS

1. C-Store currently has broader assortment of hemp-CBD formats than Food and Drug
2. C-Store has smaller store footprint and will require different placement strategy, assortment optimization
3. Certain C-Store categories will be more impacted by Hemp-CBD and Marijuana than other channels
4. C-Store has a different mix of brands, pack sizes, and pricing compared to Food and Drug
5. Educating C-store consumers and salespersons will be need a different approach
6. C-Store consumers are more interested in inhalable formats, especially those historically tied to marijuana
7. Hemp CBD has ability to drive more traffic into the store; turns a destination trip into generating additional purchased
   (e.g., gas, fountain, snacks, tobacco)
8. C-Store brands may currently be perceived as less premium, less credible than other channels

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QUESTIONS?