Standing Out in US Cannabis:

State & Consumer Opportunities

BRIGHTFIELD GROUP

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US Cannabis Consumer Insights:
Survey fielded quarterly. Responses are collected online from a census-balanced sample of 4,036 unique cannabis users in the United States.

US Cannabis Distribution Trends:
Visualizes digital menu audits of thousands of dispensaries around the United States for a comprehensive view of products available on shelf, and social media data to uncover consumer reactions to product trends and launches.

Introduction & Overview

Federal cannabis legalization in 2022 appears unlikely and we hold to our position that reforms are more likely to come in the form of descheduling and decriminalization rather than full legalization.

- In many ways, descheduling cannabis would be a better path for the industry. As it is currently proposed in Majority Leader Schumer's bill, federal legalization would likely come with a 25% excise tax — a rate that would hurt the industry significantly

The bulk of industry growth during the forecast period will come from the East coast, as Western markets reach maturity and saturation.

LGBTQ consumers are over-represented compared to the general population, and present an interesting need-state targeting opportunity for cannabis brands.

Building on Brightfield's 4/20 report findings, a closer look at Wake 'n' Bake consumers reveals that women are increasingly making up the bulk of the "*stoner*" population.

Market Sizing

By the end of **2022**, the **total U.S. cannabis market** is forecast to reach over **$30 billion in annual sales**, growing to **$51.7 billion by 2027.**

By the end of **2022**, the **adult-use** cannabis market in the United States is set to reach **$18.2 billion in annual sales.** The market is expected to **more than double to $37.3 billion by the end of 2027.**

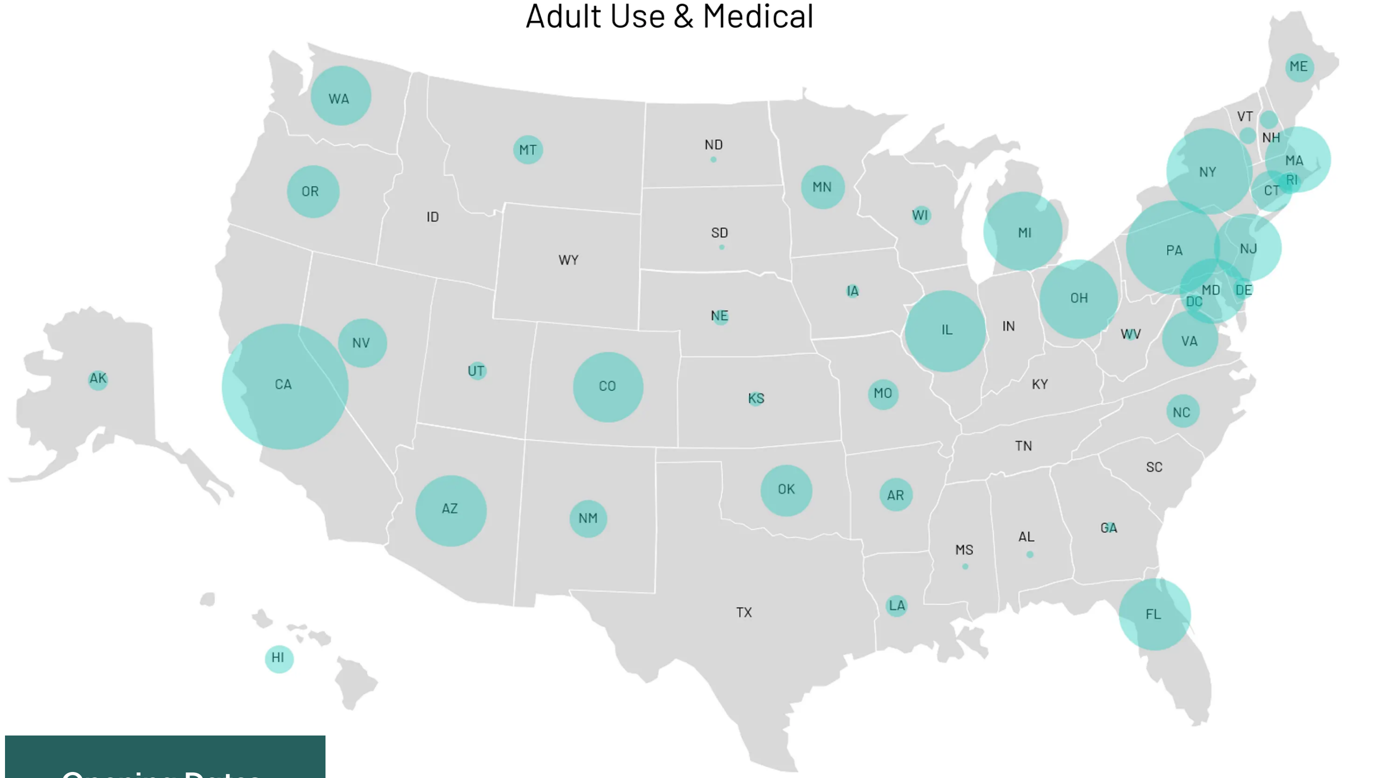
The **medical** cannabis market in the United States is forecasted to reach sales of **$11.8 billion annually by the end of 2022**, reaching **$14.4 billion by 2027**.

The U.S. cannabis market on the whole is expected to experience strong growth, with a **compound annual growth rate** (CAGR) **of 11.5% between 2022 and 2027**.

Adult-use sales are set to have a **CAGR of 15.4%**, nearly **four times that of the medical market** (4%), primarily due to several sizable adult-use market openings.

US Cannabis Forecasted Market Size (2027)

Adult Use & Medical



Opening Dates:
NJ: Apr 2022
VT: Oct 2022
NY/CT/PA: Jan 2023
RI: Jan 2024
NH: Jan 2026

Source: Brightfield Group; US Cannabis Consumer Insights; Q1 2022

Market Sizing

Medical cannabis products are currently legal in 37 states while six others have programs that allow for certain low-THC cannabis products. By the end of 2027, **six additional states are expected to fully legalize and implement sales of medical cannabis.**

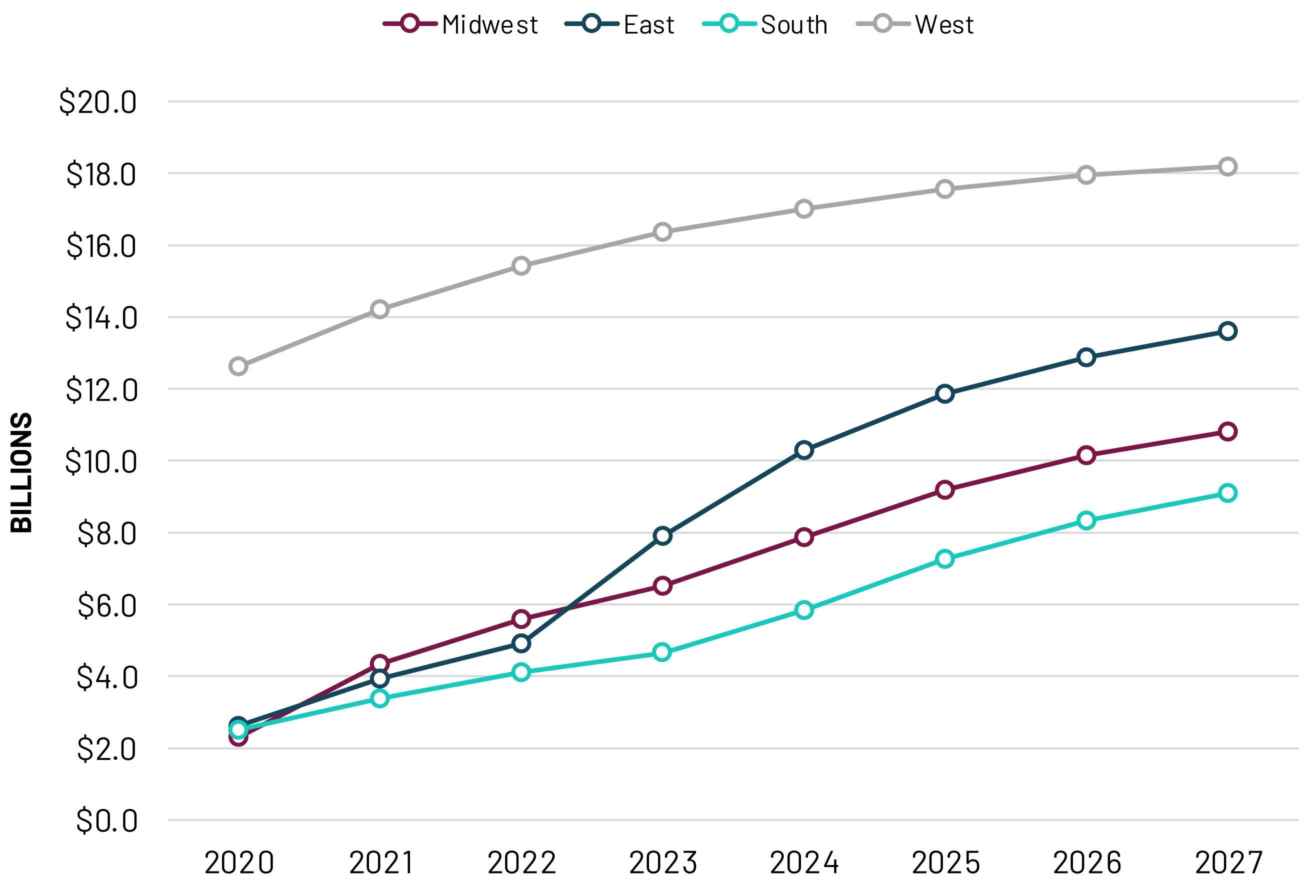
Four medical cannabis markets are expected to have more than **$1 billion** in annual sales in 2022: **Florida, Pennsylvania, Oklahoma, and California.**

Adult-use cannabis products are now legalized in 18 states and the District of Columbia, though not all of these markets have begun sales. **Eight more states are expected to pass adult-use legislation and start cannabis sales by 2027, largely in the East.**

Yet-to-be-launched markets are expected to constitute over **40% of adult-use sales in 2027.**

Total Regional Market Sizes

2020-2027



Source: Brightfield Group; US Cannabis Consumer Insights; Q1 2022

Market Sizing

For existing clients: View these insights by logging into the portal **here**.

To see how our interactive data platforms can support your business, **schedule a demo**.

Source: Brightfield Group; US Cannabis Consumer Insights; Q1 2022

Competitive Landscape: Eastern Coast

The Eastern United States is on track to be the first full regional adult-use coast in the country, leapfrogging the West.

As of 2022, annual adult-use sales in the region totaled just $2.0 billion dollars but are expected to reach $10.9 billion by 2027.

Medical cannabis sales are only expected to decline slightly over the forecast period, from $2.9 to $2.7 billion annually.

- This drop can mostly be attributed to Pennsylvania launching adult-use sales in 2023, which is expected to draw medical patients away from the state program

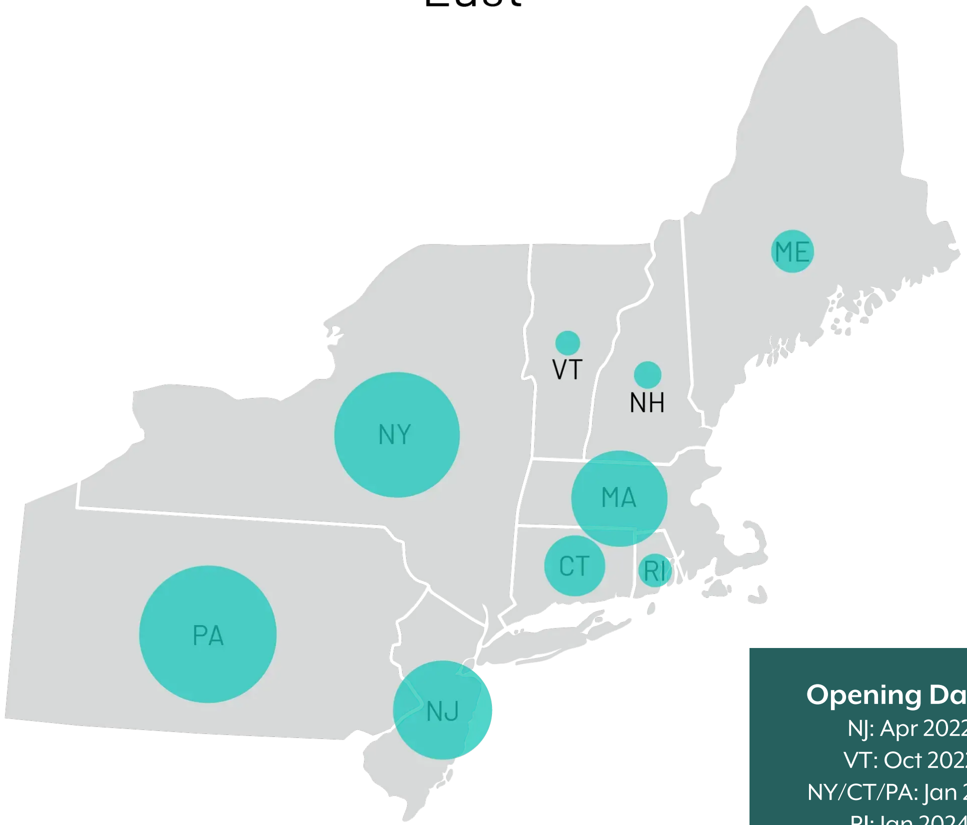
The East is expected to be the fastest-growing area of the US, with a total cannabis market **CAGR of 22.6% from 2022 to 2027**.

In-state resident purchases are expected to constitute well over 80% of revenue as increased access reduces the number of consumers travelling to AU states to purchase cannabis products.

- In the near-term, Maine, Massachusetts, New Jersey and Vermont sales should remain buoyed by visiting consumers

FORECASTED MARKET SIZE (2027)

East



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State Spotlight: New Jersey

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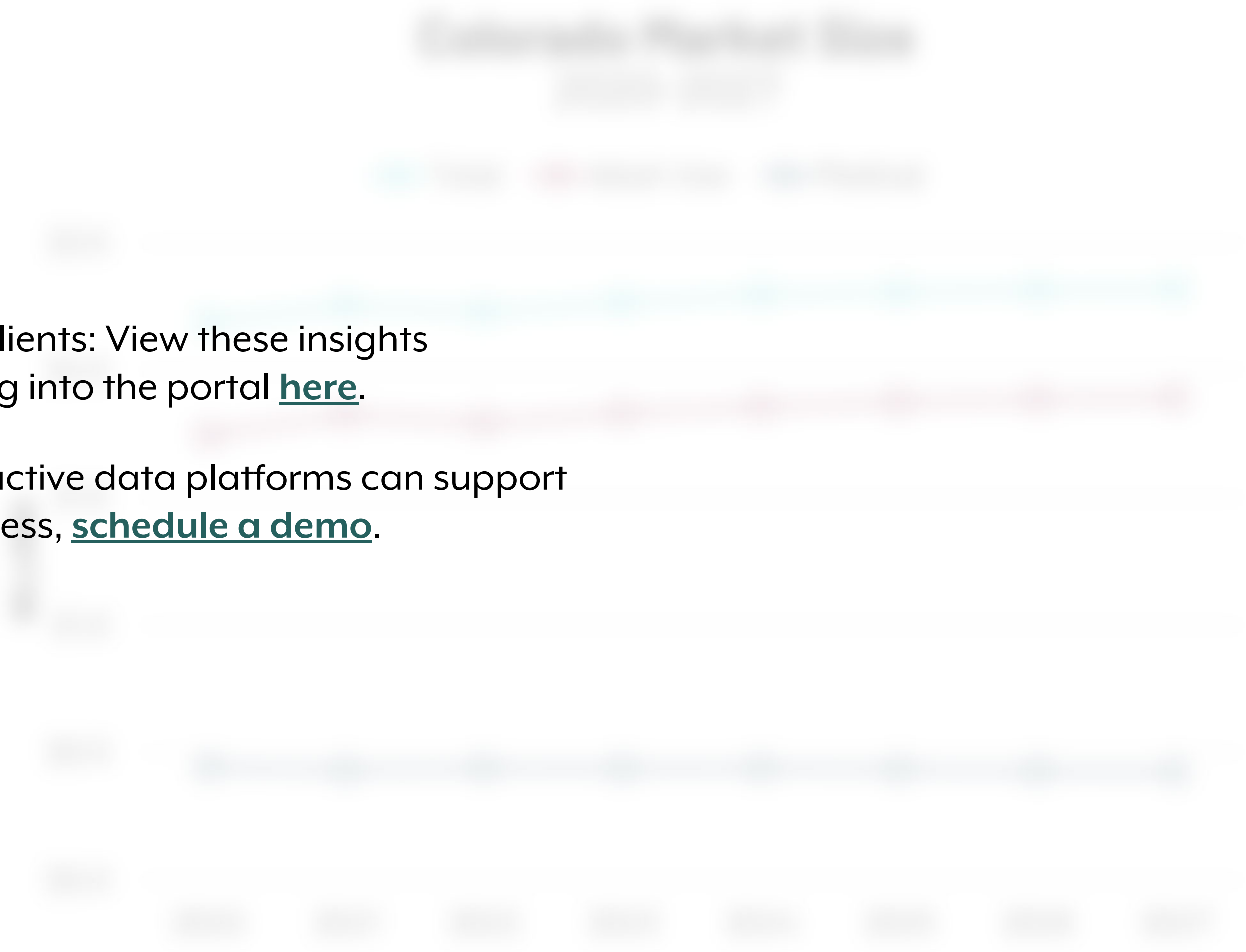
State Spotlight: Colorado



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Consumer Spotlight: The Queer Side of Cannabis

20% of US cannabis consumers identify as *"Bisexual," Gay or Lesbian"* or *"Other"*.

- According to Gallup, **7.1% of US adults identify as LGBTQ+**

These consumers have **lower to middle income, skew younger**, **and are more often women.**

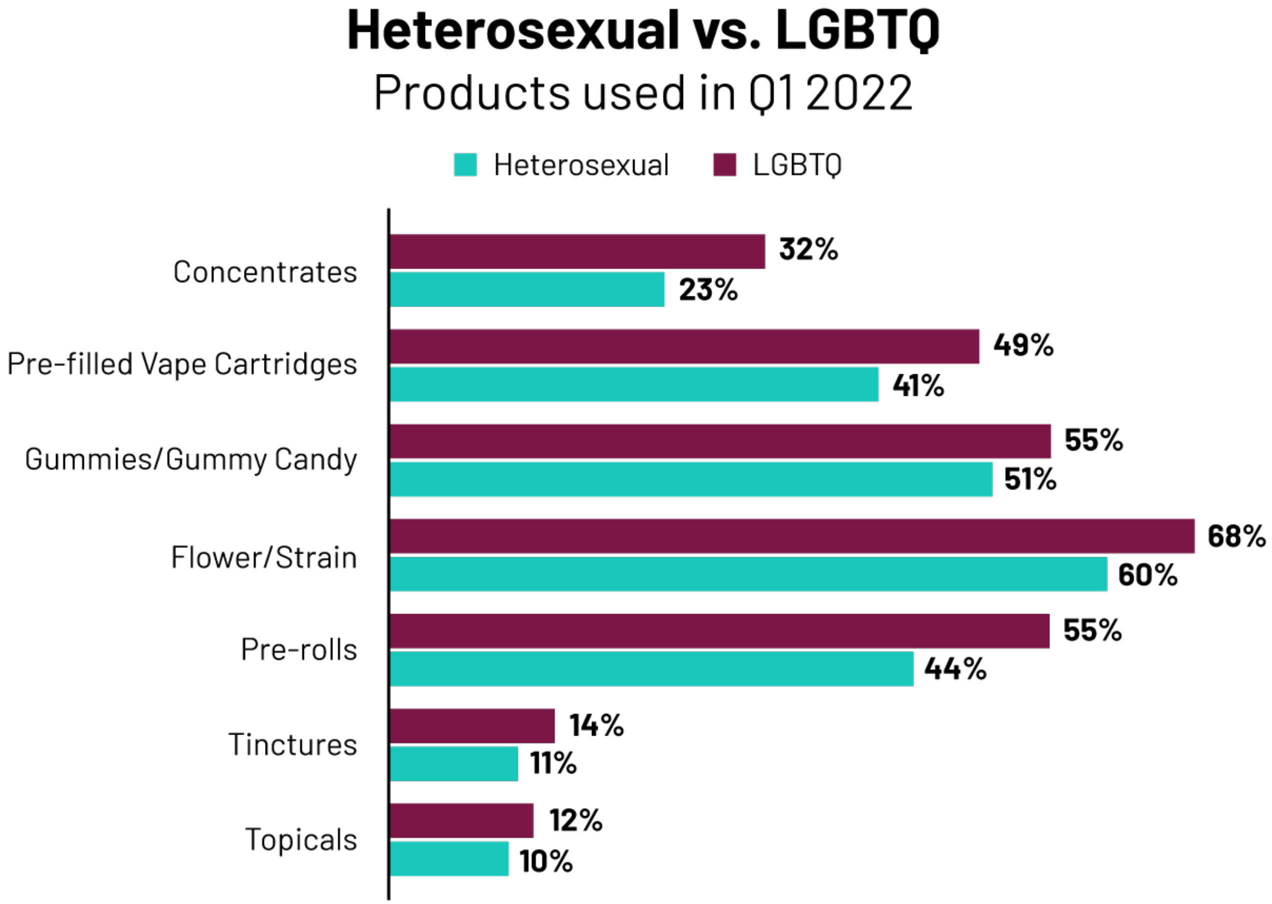
- **56% under 35 years old**
- **59.9% of non-heterosexual study participants are women**

LGBTQ consumers are more likely to consume multiple times per day compared to their cisgender counterparts.

- 52.2% of LGBTQ consumers report multiple times daily use vs. 43.5% for heterosexual identifying people

They also are more likely to consume a broader range of product types compared to the industry benchmark.

- Top indexing products used include:



Consumer Spotlight:
The Queer Side of Cannabis

Q1 2022 LGBTQ vs Heterosexual Benchmarks

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Consumer Spotlight: Wake 'n' Bakers

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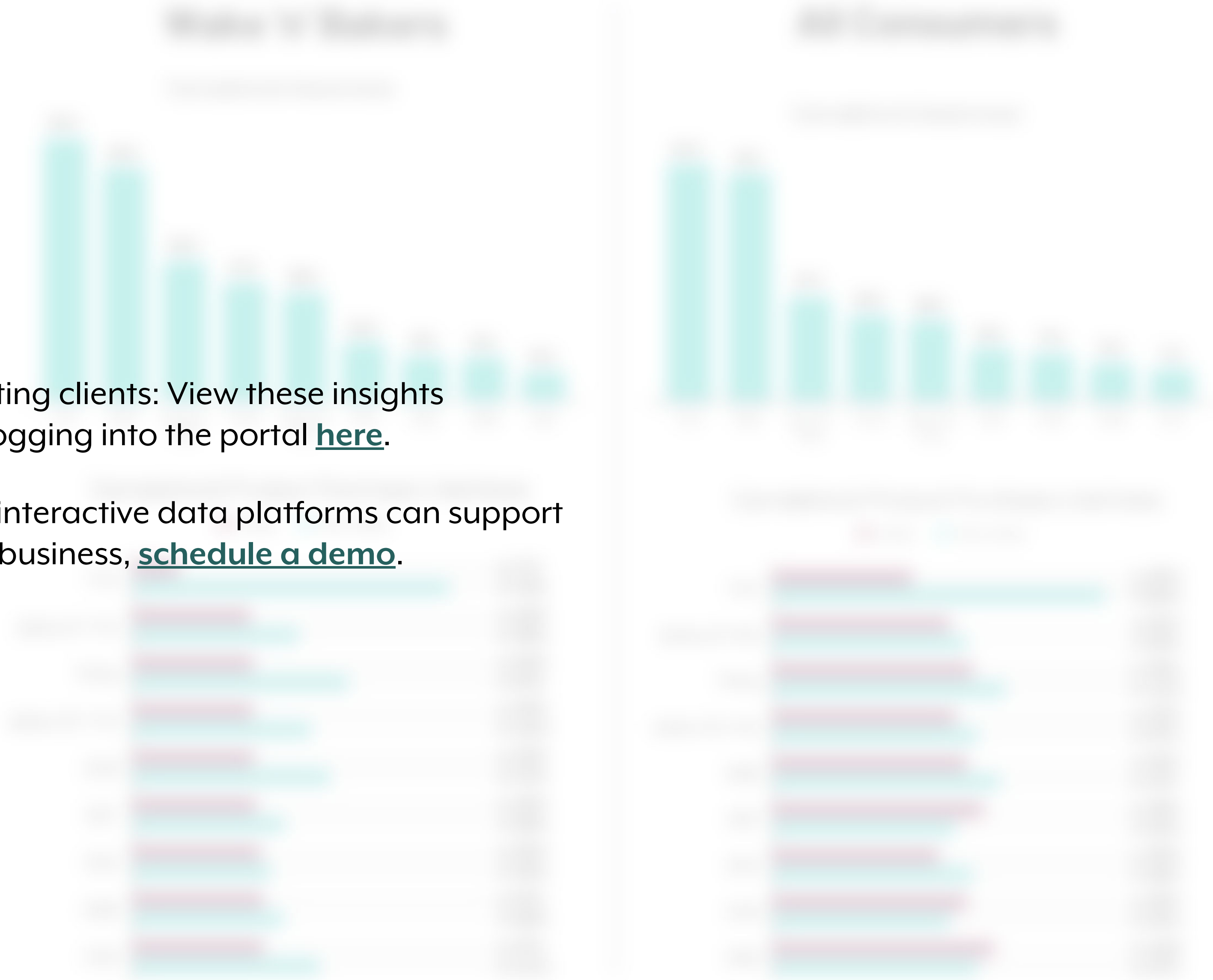
Source: Brightfield Group; US Cannabis Consumer Insights; Q1 2022

Consumer Spotlight: Wake 'n' Bakers



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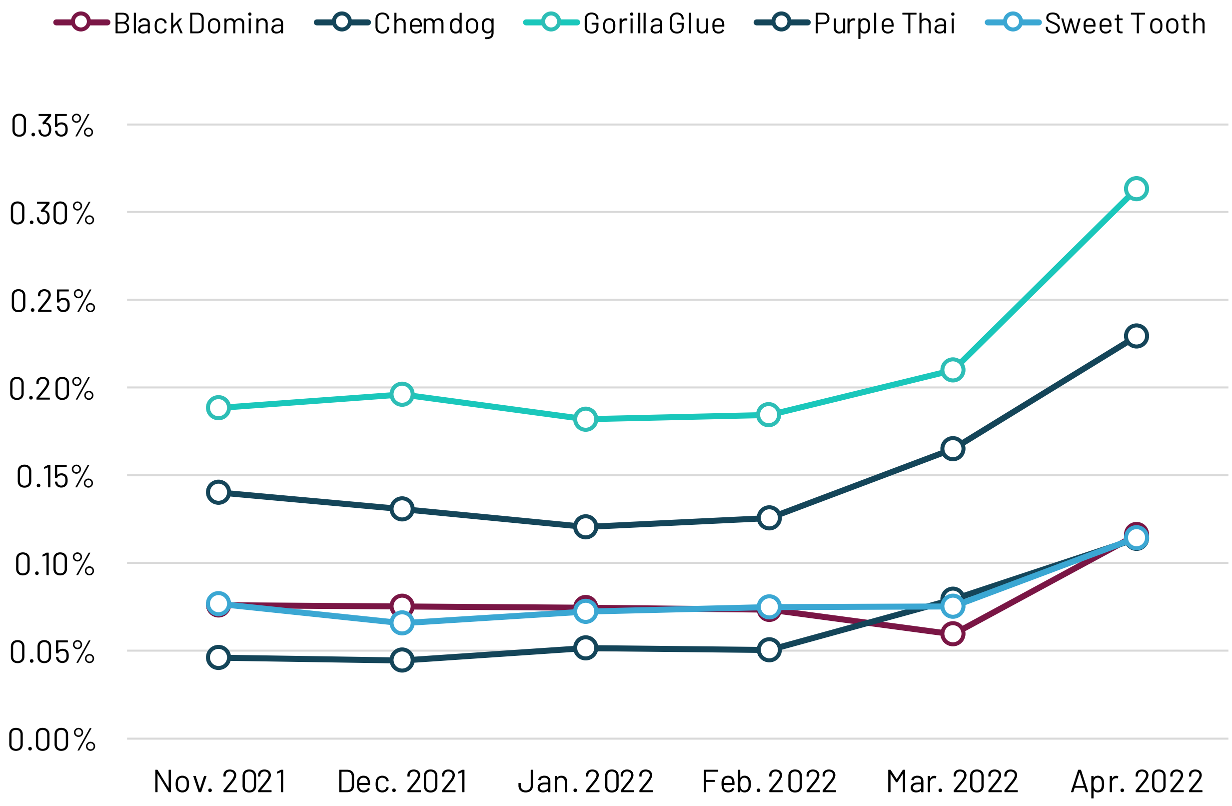
Distribution Trends: Growing Strains

Strains are crucial in determining consumer outcomes in inhalable products like vapes, concentrates and flower.

Top 5 Growing Strains with at least 0.1% share of US shelf (vapes, flower/pre-rolls, concentrates):

1. **Black Domina** (0.12% SoS, 95.1% growth MoM)
   - Strain attributes: Sedative, peppery, fast-flowering
2. **Sweet Tooth** (0.11% SoS, 52% growth MoM)
   - Strain attributes: Euphoric, sweet, trichome-rich
3. **GG1** (0.31% SoS, 49.3% growth MoM)
   - Strain attributes: Sleepy, piney, trichome-rich
4. **Purple Thai** (0.11% SoS, 43.7% growth MoM)
   - Strain attributes: Uplifting, violet
5. **Chemdog** (0.23% SoS, 39% growth MoM):
   - Strain attributes: Euphoric, diesel, potent

Share of Shelf Over Time by Strain

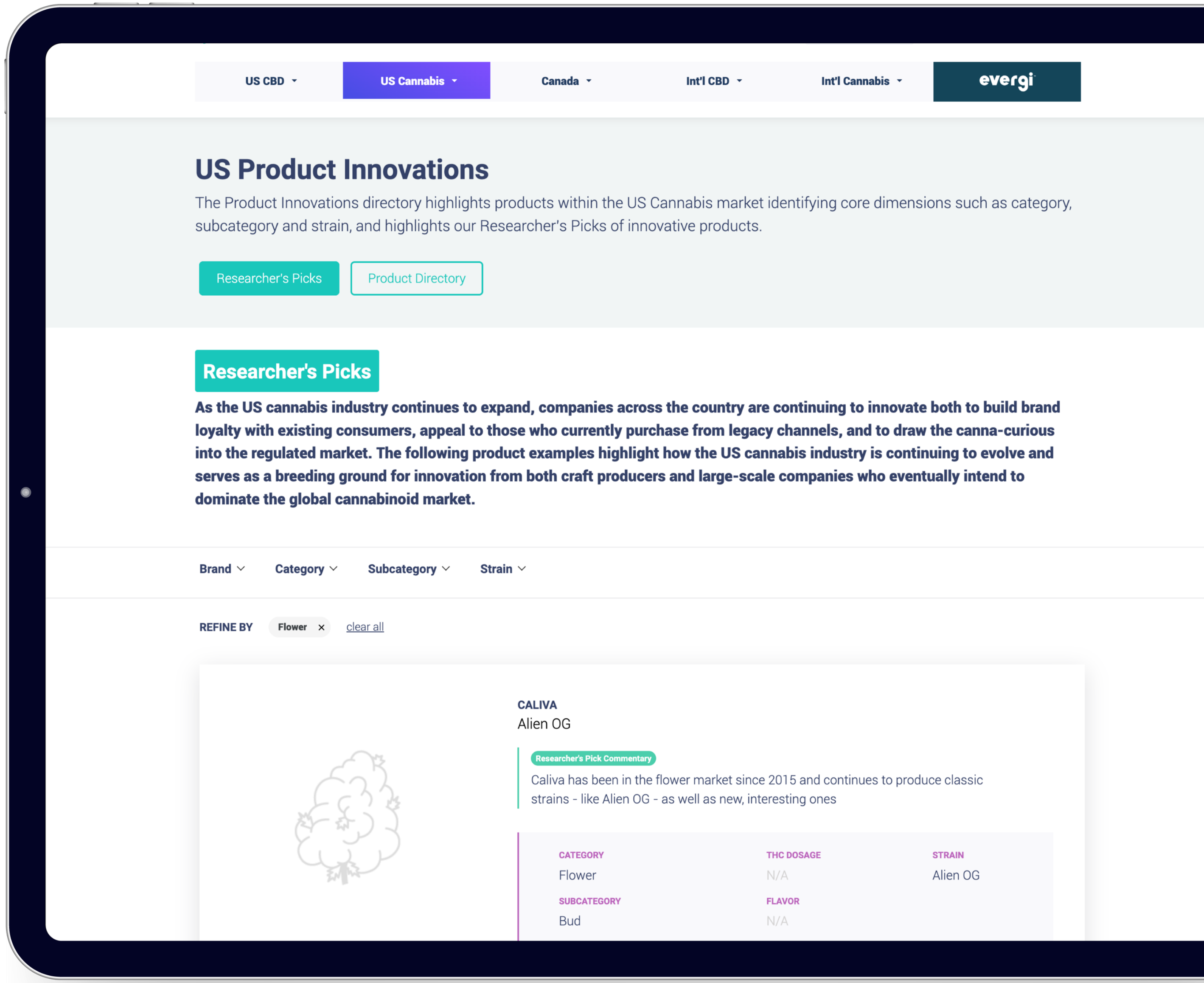


NEW: Product Innovations

Brightfield's Product Innovations Portal is now live!

The portal highlights cutting-edge, novel, and/or interestingly positioned cannabis products, giving users insights into innovations from other brands or in other product formats. The portal is filterable to show desired attributes, or users can explore researchers picks from Brightfield's Insights team.

Combined with Brightfield's Distribution Trends and Consumer Insights data, tracking innovations can help identify white spaces in the industry in which brands can delve or expand.



Source: Brightfield Group; US Cannabis Distribution Trends; Q1 2022

Key Takeaways

In the absence of federal legalization, **descheduling cannabis can still present** regulatory advances without onerous taxation, **a boon especially to Eastern markets that are just launching AU markets.**

Full legalization in the Eastern bloc will see out-of-state sales plummet to only ~20% of each state's total sales. **Responding well to each state's consumers' needs will dictate winners and losers in those markets as out-of-state support dwindles.**

Brands set to take the lead across all markets are those that can stand out from competition through unique product features or specific need-state and occasion-of-use targeting, especially through **serving historically under-served communities (women, LGBTQ consumers).**

- Leveraging strain attributes to better target these states can also highlight a brand's genetic library, further differentiating the brand from competitors

Heavy consumers typically consume a wider variety of product types than non-daily cannabis consumers. Branded houses could help foster loyalty with these types of consumers.

- Interestingly, gummies have similar rates of use regardless of consumption rate — a potential gateway to reach new canna-curious consumers as they are likely already familiar with the product format as a supplement (gummy vitamins, other nootropics)

Identify your next opportunity and delight your customers with user-friendly data on:

Brand Health

Consumer Insights

Market Landscape

Distribution Trends

To learn more about our insights solutions for cannabis, request your demo here.

BRIGHTFIELD GROUP

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