

Defining the cannabis sector in Canada by 2025

As the cannabis market continues to establish roots in Canada, what does the sector's future hold? EY analysis projects significant growth, along with some uncertainty, for licensed producers (LPs) of both medical and recreational cannabis.

Competition is heating up

Over the next five years, increased competition will continue to bring commodity prices down, putting even more pressure on producers to maximize output in the most cost-effective and efficient manners. Strategic joint ventures and partnerships in new markets will be critical to success.

\$4.00-\$5.00

average wholesale price for dried flower in 5 years

60%-70%

anticipated profit margin which includes higher margin non-combustible derivative products

< 5 years

the supply of cannabis production in Canada will outpace demand

Increasing capital costs

If current and planned expansions are completed and licensed in a timely manner, there will be more than ample supply to meet demand in Canada. However, significant capital investments are required to meet Health Canada standards and requirements.

14m+ sq ft

additional square footage for licensed facilities in the next 2 years

\$140-\$250 /sq ft

in capital investments for cultivation and processing facilities

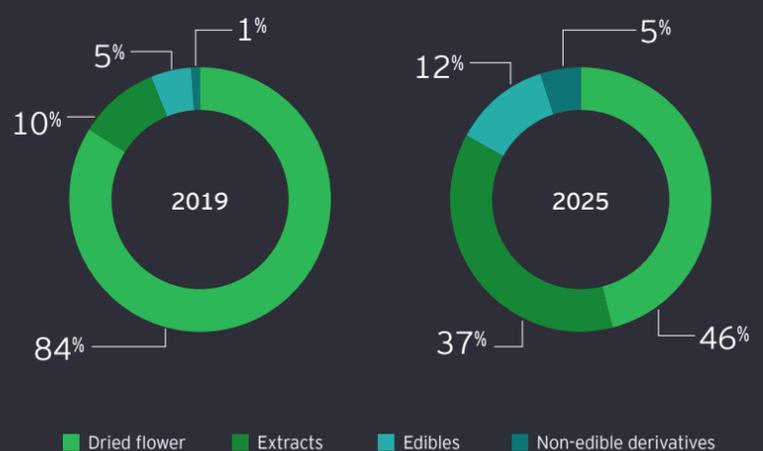
\$400 /sq ft

for the build-out of some facilities

Shift towards non-combustible consumption methods

Consumers are expected to increase their spending on legal cannabis, even as prices increase. They'll likely have a strong preference for dried flower in the coming year, both due to its popularity and the lack of alternatives. By 2025, however, the weighting will mostly be split between dried flower and extracts, with a small percentage to edibles and non-edible derivatives.

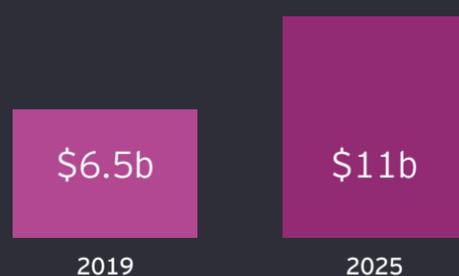
Consumption by derivative type



Additional product formats will be catalysts of growth

Retail and distribution frameworks across Canada have been implemented at a slower pace than anticipated since legalization, diverting many consumers to the illicit market. However, as the industry matures, access to legal cannabis products increase, and higher margin derivatives come online, we expect the Canadian direct cannabis market to grow by over 50% in 2025.

Size of the direct cannabis market*



* This valuation does not include the ancillary market.

Cannabis use in Canada by 2025

20% of the total adult population is projected to be cannabis consumers

Weighted average annual spend per consumer (both recreational and medical) for all cannabis products



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