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Hemp + CBD Forum

State of CBD and Delta-8: Data, Trends and the Road Ahead



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Managing Director
Brightfield Group

- State of the CBD Industry
- Transformations in CBD Consumer
- Rise of the Hemp-Derived THC Market
- Opportunities for Growth

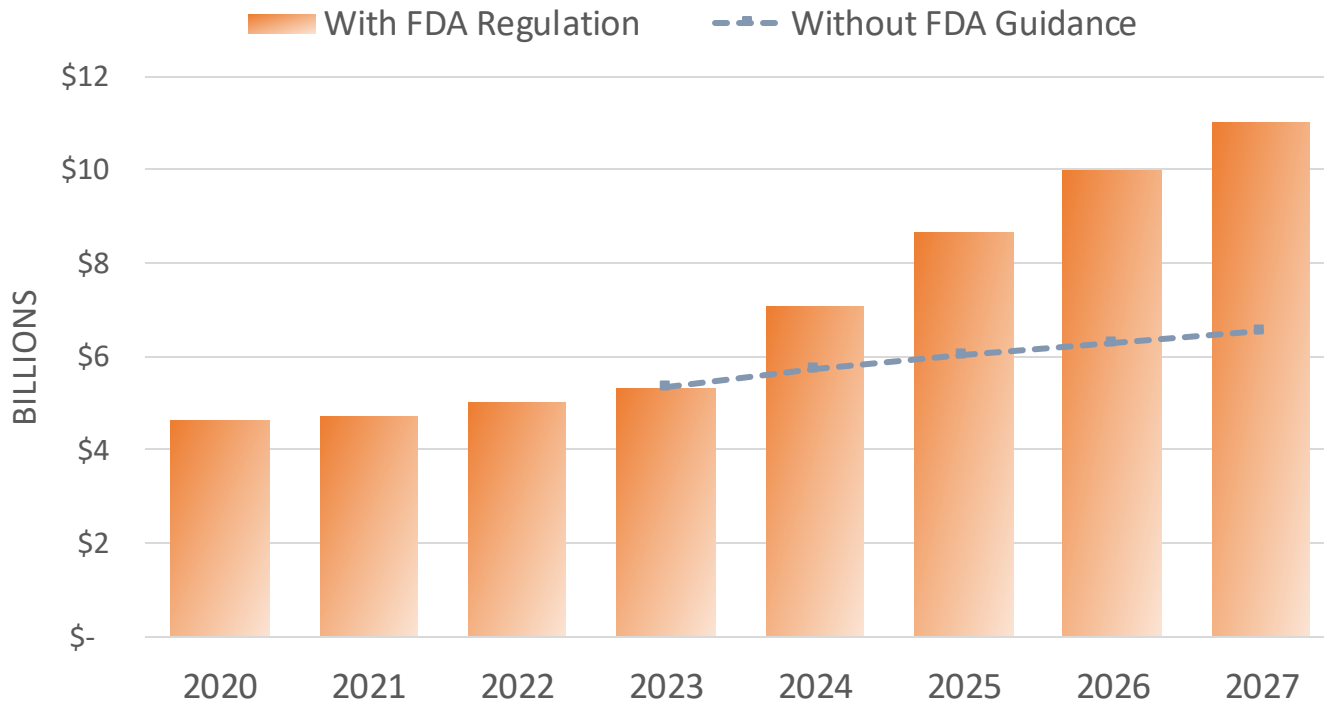
Methodology

- Data cited in this presentation comes from
 - Quarterly surveys of 5000 US CBD users 21+
 - Quarterly surveys of 5000 US Adults 21+ (General Population)
 - Brightfield CBD & Hemp-Derived THC Market Insights Subscriptions

Growth slows in CBD

- The market is expected to reach \$5 billion in sales in 2022, an increase of 5.9% from 2021 sales of \$4.7B
- If federal regulation is implemented by 2024, the market could reach **\$11.0 billion** by 2027
- Without regulation, the CBD market is expected to remain decidedly lower, reaching **\$6.5 billion** by 2027

CBD Market Forecast





Shifts in CBD

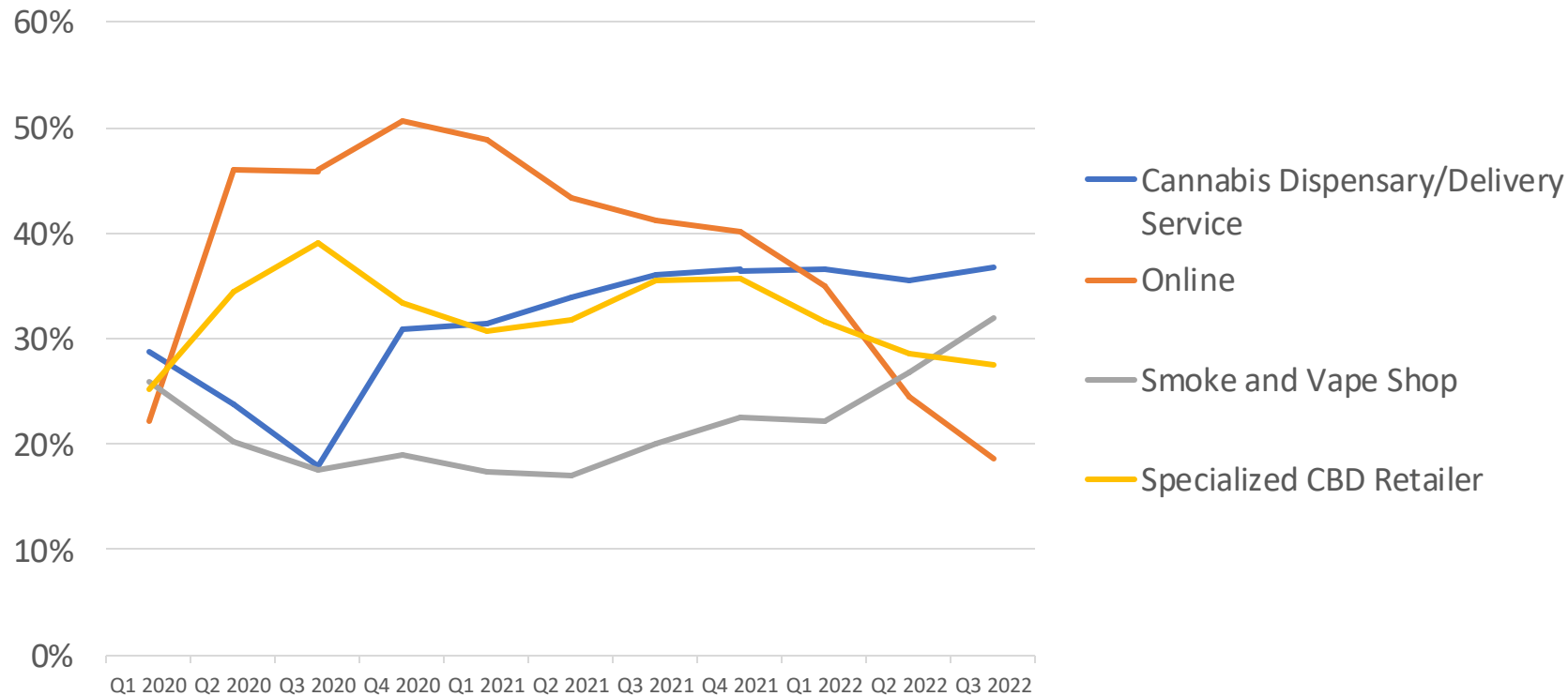
- CBD's relationship to cannabis is changing
- The hemp-derived cannabinoid market is wider
- Purchase channels and product formats are different than they were 18 months ago

E-Commerce Declines

- Q4 2021 to Q3 2022, the share of consumers purchasing online CBD has dropped by 62%
- Brick & mortar channels have become more prevalent than online CBD shopping

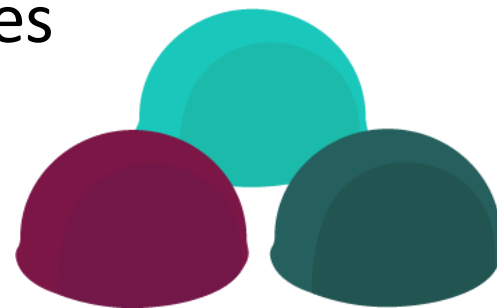


E-Commerce Declines

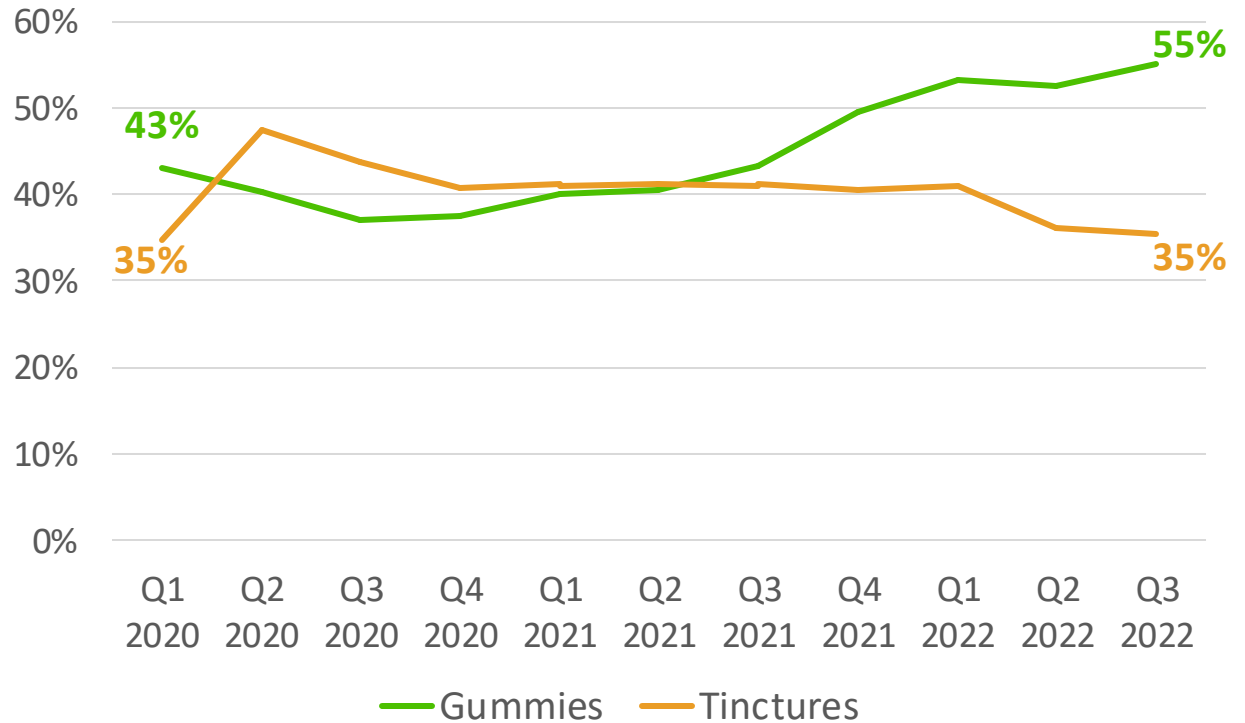


Gummies Gain the Lead

- Over the last year, **gummies** gained a clear lead over **tinctures** as the top reported product type used
- Today, **55%** of CBD consumers report using gummies, and **35%** report using tinctures

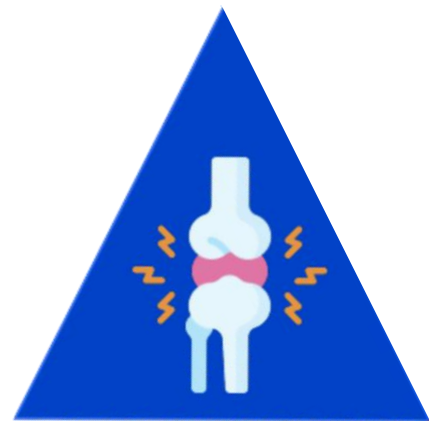


Gummies Up, Tinctures Down



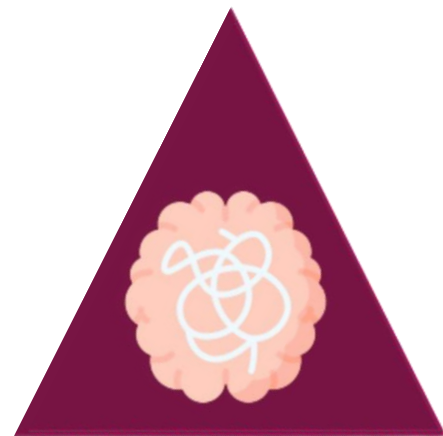
Consumer Segment: Pain Pausers

- Most common uses for CBD are for joint pain, arthritis and chronic pain
- This group has also shifted away from tinctures and towards gummies
- Generally are not cannabis consumers



Consumer Segment: Mind Menders

- Most common uses for CBD are mental health conditions and other chronic illnesses
- Likely to be using/have used cannabis as well as nicotine products



Consumer Segment: Life Lifters

- Most common uses for CBD are life enhancers like fun, creativity, improving appearance and/or athletic performance
- Likely to be or have been cannabis users

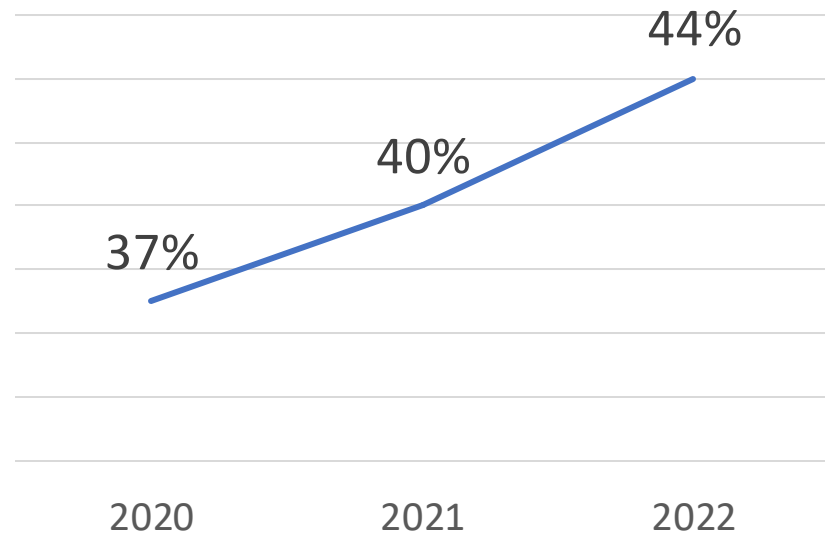


The Overlap of CBD & Cannabis

- The likelihood of a CBD user being a regular cannabis user continues to increase



% of CBD Consumers Using Cannabis 5+ Days Per Week



Enter Hemp-Derived THC



- Hemp-Derived THC became available in CBD channels in late 2020
- Provided access to psychoactive cannabinoids in places where cannabis is illegal
- An affordable alternative to cannabis-derived THC in markets where cannabis is legal but heavily regulated and taxed

The Hemp-Derived Market

- By 2022 the hemp-derived THC space has reached nearly half the size of the US CBD market
- The story so far has been one of growth, but future potential is still dependent on regulators
- The bottom line: there's an appetite for psychoactive cannabinoid experiences

Cannabinoids on the Market

Established:

- Delta-8 THC
- Delta-9 THC
- Delta-10 THC
- HHC
- THC-O

- Consumers have options beyond delta-8
- Each with its own purported effects that are largely defined by consumer experience with the cannabinoid

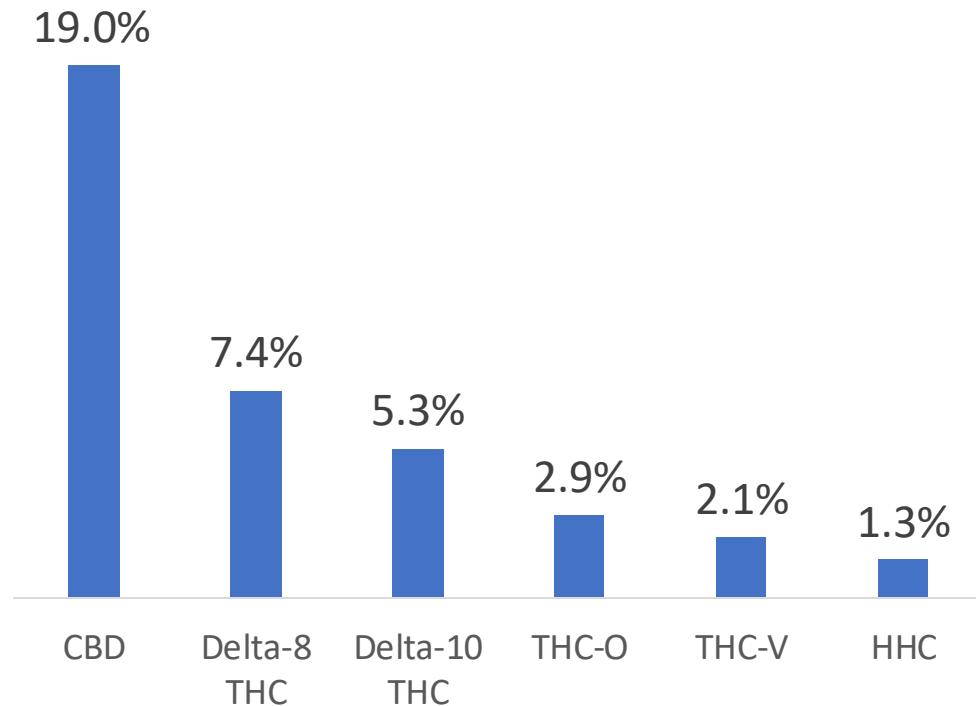
Emerging Cannabinoids

- New psychoactive cannabinoids continue to hit the market
- For brand differentiation & being on the cutting edge of hemp-derived product development

Emerging:

- **THC-P**
- **Delta-9-O**
- **Delta-11 THC**
- **HHC-O**

Hemp-Derived THC Use



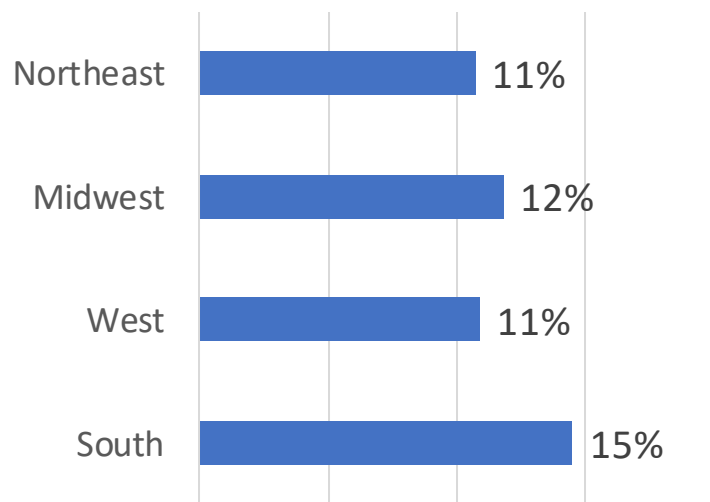
% of American adults 21+ who have used these cannabinoids in the past 6 months

Source: Brightfield evergi Consumer Survey 2022 N=5000

- Delta-8 was just the start
- Consumers using an array of psychoactive cannabinoids from hemp

Hemp-Derived THC Users

% of Consumers Using Hemp-Derived THC



- Nationwide, consumers are using hemp-derived cannabinoids
- Use is highest in the South where cannabis is mostly illegal

Hemp-Derived THC Products

- **Vapes** make up most products & **gummies** are the second-most common
- Branded nearly indistinguishably from cannabis products



Delta-9 Gummies



Delta-8THC Vape

Hemp-Derived THC Products

- Many products contain a combination of cannabinoids
- CBD, CBN, and CBG often added to enhance purported “entourage effect”



Delta-8 + CBN Gummies



Delta 8 Live Resin Vape with D10 + THC-P

Spotlight On: Drinks

- Hemp-Derived THC drinks are introducing consumers to psychoactive beverages outside of dispensary channels



HHC Seltzer in Day Drinker
Watermelon



Ruby Grapefruit THC
Seltzer

Delta-8 Hits Canada

- In September & October 2022, delta-8 THC hit the legal Canadian cannabis market via edibles & vapes
- For edibles, a way to get around Canada's 10mg THC limit



Risks to Consider

- Product safety a key concern for future of market
- State-level regulations shape the market currently
- 2023 Farm Bill could be a big shake up to psychoactive hemp-derived cannabinoids
- Longevity of this market is unclear



Key Takeaways

- The hemp-derived cannabinoids market is growing up in a gray area between cannabis and wellness
- Being agile and staying ahead of consumer trends will set up companies for maximum success



Key Takeaways

- The strategies of 2021 won't work in 2023
- Purchase channel & product types - meet consumers where they are!
- Understand the “why?” rather than the “who?”





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