
Northern Highlights: Outshining Canada's Cannabis Market

Q2 2022



BRIGHTFIELD GROUP



Table of Contents

Canada Consumer Insights:

Survey fielded quarterly. Responses are collected online from a balanced sample of 3,000 unique cannabis users age 18+ in Canada.

Canada Distribution Trends:

Visualizes a comprehensive view of products available on-shelf through digital menu audits of thousands of dispensaries around Canada, and social media data to uncover consumer reactions to product trends and launches.

Page 3.	<u>Introduction & Overview</u>
Page 4.	<u>Market Sizing: Recap</u>
Page 5.	<u>Competitive Landscape</u>
Page 6.	<u>Canada Brand Health</u>
Page 8.	<u>Brand Spotlight</u>
Page 12.	<u>Flower & Edible Market Forecast</u>
Page 13.	<u>Flower Innovations</u>
Page 17.	<u>Edible Innovations</u>
Page 20.	<u>Key Takeaways</u>

Introduction & Overview

The Canadian market is evolving through right-sizing larger operators' cost reduction efforts as smaller LPs expand operations to better compete.

A handful of brands, like Spinach, Back Forty, and Dosecann, are pulling away from the pack recently with solid growth through Brand Awareness and Recent Purchase, outpacing the market.

Although flower remains king, edibles have seen strong growth through 2021 and 2022 and are poised to outperform flower's growth trajectory through 2027. However, regulations within edibles will keep the category's total dollar value well below flower.

Innovations in flower and gummies, like concentrate-infused pre-rolls and shaped gummies, are keeping the market interesting for consumers, giving them opportunities to explore.



Market Sizing: Recap

In 2021, we saw Canadian cannabis sales grow 39% to \$CAD 4.39 billion.

Leading growth categories pre-rolls (77.7%) vapes (47.3%), and flower (33%).

The Canadian edibles market failed to match the substantial growth seen in the US last year. THC-limiting regulations will frustrate Canadian consumers looking for more potent edible products.

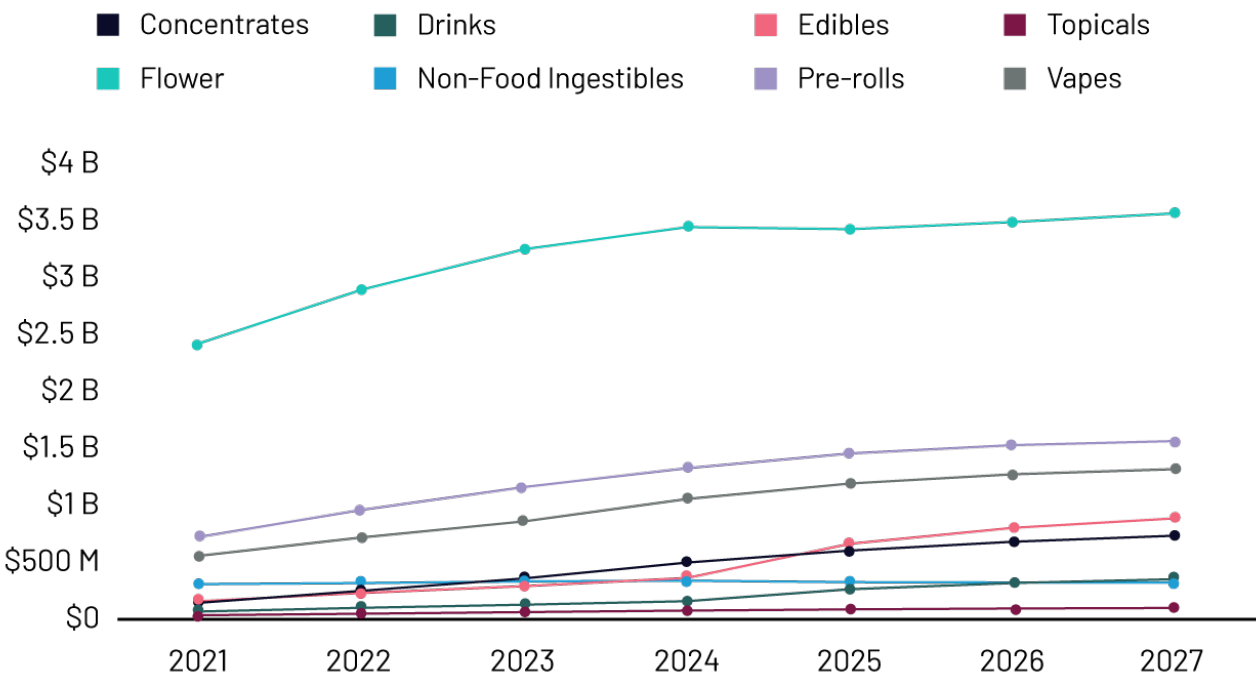
As a result, vapes and other inhalable concentrates are expected to stay ahead of edibles sales until 2024, when Brightfield projects several regulatory changes.

Canadian market CAGR (2022-2027): ~10%

- Flower CAGR: ~4.25%
- Pre-roll CAGR: ~10.26%
- Vapes CAGR: ~12.89%
- Edibles CAGR: ~30.81%

CANADA MARKET SIZE

2021-2027, \$CAD



Competitive Landscape

The Canadian market has been evolving down two distinct but parallel paths:

- First, there's been continued right-sizing of larger operators' brand portfolios, operations, and footprints with multiple facilities seeking to reduce costs.
- Meanwhile, smaller to mid-sized LPs have expanded operations to better compete with these larger companies.

LPs have pushed to develop or acquire craft brands, but that path can also prove challenging.

- Clear, unique brand positioning is instrumental to success. Price compression tends to hit undifferentiated brands the hardest because they offer no value proposition to consumers aside above cost.



Canada Brand Health

When we compare purchase measures, a handful of brands are pulling away with more robust Recency Purchase metrics (past six months) vs. Overall Purchase.

In 2022, keep your eye on brands making movements on Recent Purchase like Spinach, HEXO, Redecan, Good Supply, Daily Special, Pure Sunfarms, Flowr, and Back Forty.

Brands like Back Forty, Spinach, Pure Sunfarms, and Good Supply have outpaced the market on Awareness growth this year.

- Among brands tested, the average growth was 3%, and all grew above ~6-9pts this year.

Back Forty, Dosecann, and Spinach are capitalizing on that Awareness boost with significant shifts in Awareness-to-Purchase conversion.

- Often when we see a large awareness boost, Purchase Increase lags because those newly aware people have yet to purchase.
- In this case, these brands have driven sales quickly after awareness, showing true strength in the market.



Brand Spotlight: Spinach

Spinach, a Cronos Group, is seeing strong growth across the purchase funnel.

- It now **ranks 3rd in consumer-reported purchases in the past 6 months** behind Tweed and Tokyo Smoke, two of CGC's brands.

Year-over-year, Spinach increased its awareness by 8%, the second-highest awareness increase of any Canadian brand.

- Available products: flower, pre-rolls, vapes, gummies, concentrates.
- The brand's SOURZ gummy edibles, created in a unique S-shape, have gained significant market share across the country.

Spinach offers "*Farm-To-Bowl*" products that bring friends together and make experiences more enjoyable. It's a mainstream brand designed for consumers seeking some guilt-free enjoyment.

- Spinach Feelz is a sub-brand of Spinach that creates cannabis products featuring rare cannabinoids designed to deliver unique and enhanced experiences.

Spinach top brand attributes:

- 62% - Helps with relaxation
- 59% - Easily available
- 56% - Made with high quality ingredients



Brand Spotlight: Dosecann

Dosecann’s Awareness, Consideration, Purchasing, and Loyalty all increased significantly from Q4 2021 to Q1 2022.

Year-over-year, Dosecann’s Awareness-to-Purchase conversion grew 10%, the second-highest increase of any Canadian brand.

Dosecann offers topicals and capsules with specific THC- or CBD-focused formulas.

- It’s the 4th most distributed capsules brand with 5.1% share of capsules shelf.

It has simple purple, white, and gray branding and a focus on “nature approved, science backed” products.

Dosecann’s top brand attributes:

- 49% - Improves general wellbeing
- 45% - Canada made
- 38% - Best for my condition

Dosecann



Brand Spotlight: Back Forty

Back Forty has seen some of the most consistent increases in Brand Health metrics over the past five quarters, **growing its Awareness by 9% and its Awareness-to-Purchase conversion by 18%.**

Year-over-year, Back Forty's Awareness and Awareness-to-Purchase conversion increased more than any other Canadian brand.

Owned by Auxly, Back Forty's name refers to an old farmstead term, the back forty acres of a farmer's land where the farmer was too remote to reach and couldn't be bothered. The brand follows this theme of nostalgia for simpler times and messages about getting away from it all or "*exploring the back forty.*"

Product offerings include vape carts, flower, milled flower, pre-rolls, chocolates, and soft chews.

Back Forty's top brand attributes:

- 59% - Easily Available
- 57% - Helps with Relaxation
- 46% - Appealing taste/flavor

BACK FORTY



To Eat or to Smoke: Flower and Edibles Trends in Canadian Cannabis



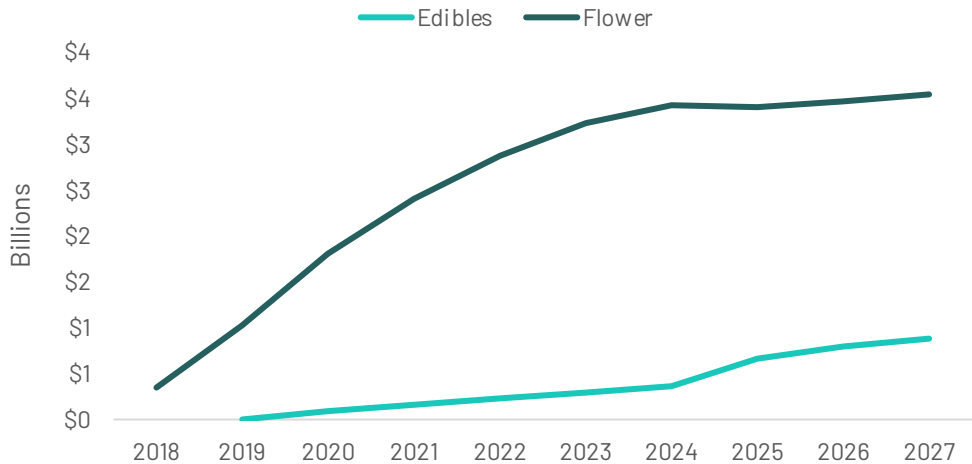
Flower & Edible Market Forecast

The Canadian flower market is worth more than the edibles market – nearly 1000x more. In 2022, the Canadian flower market will reach \$2.2 billion, while edibles will bring in only \$2.3 million.

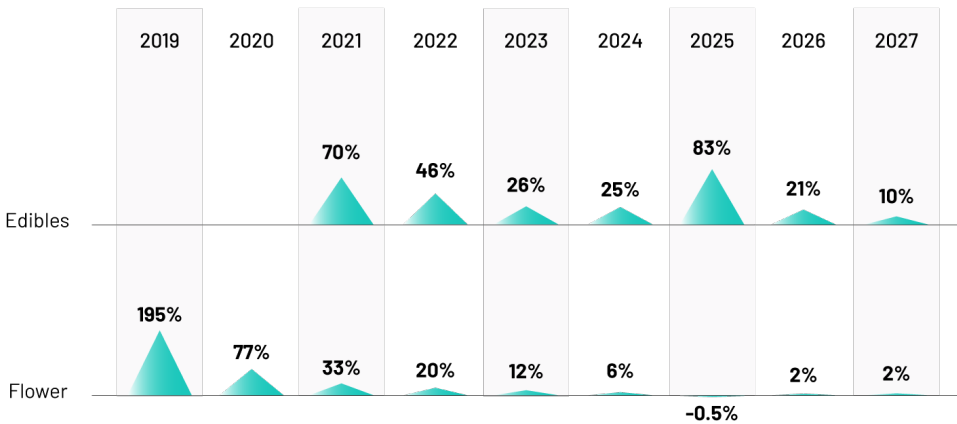
However, **edibles have more elbow room and are poised for more growth** than flower through 2027. Edibles will experience a CAGR of 31% through 2027, while flower’s CAGR will only reach 4%.

Despite this higher growth, in 2027 the edibles market will still fail to match the flower market’s 2019 value at the start of legalization. As fun and innovative as the edibles category can be, flower is still king in Canada.

CANDIAN MARKET SIZE: FLOWER & EDIBLES



CAGR BY PRODUCT TYPE



Flower Innovations: Potent Pre-Rolls

Concentrate-infused pre-rolls have made their way from the US to Canada.

- During the pandemic, the US saw a rise in frequent cannabis use that further fueled the market's affinity for high-THC products, including infused pre-rolls.
- Though Canadians did not experience as dramatic a shift in cannabis usage during COVID, brands are bringing these potent smokes to market for the high-THC lovers of Canada.

This product type was first launched in Canada by **TopLeaf** and with their success, many other brands have entered this new infused-pre-roll space, including **Canaca**, **General Admission**, and **Dymond Concentrates**.

Different concentrates are used by brands as they explore what resonates most with Canadian consumers: **Qwest** infuses with hash while **Avana** infuses with live resin.



Flower Innovations: Convenient Smoking

The overall growth of the pre-rolls category has proved that Canadians really do care about convenience. **Brightfield Group's market sizing forecasts that the market share of pre-rolls in Canada will be multiple times higher than its share in the US.**

Instead of selling 1g or 0.5g pre-rolls as “add-on” items, which has commonly been done in the US, Canadians take their pre-rolls more seriously, with offerings up to 70 0.4 gram pre-rolls in a single package.

Just as there are pre-rolls for joint smokers, there's pre-milled flower for pipe users.

- Following the success of pioneering brands such as SHRED, the space has seen a proliferation of products that differentiate themselves with convenience.
- Pre-milled brands on the market today emphasize the fact their products are not trim – it is quality bud in an easy-to-use format.



Color Cannabis
Black Sugar Rose Pre-Rolls



Pure Sunfarms
Pink Berry Milled Flower

Edibles Innovations: The Shape of Chews

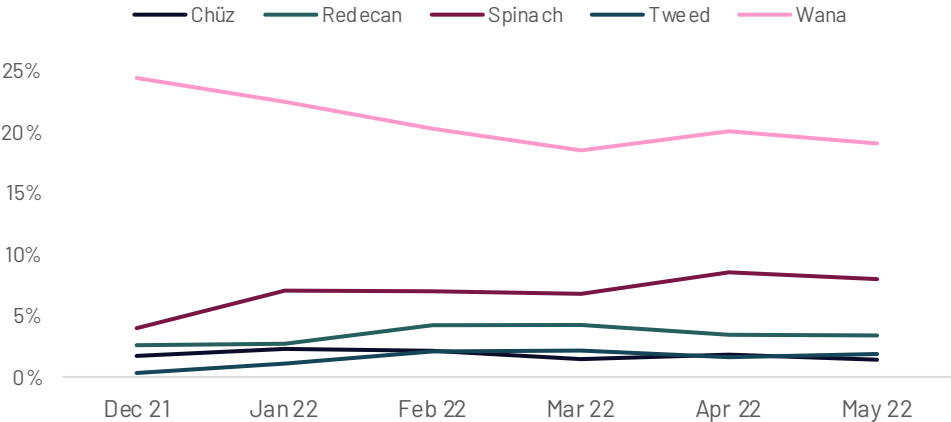
Soft chews have emerged as the most popular type of edible in Canada.

Canadian restrictions on edibles with potential appeal to young people left many brands opting for soft chews in square, rectangular, or spherical shapes.

Notable exceptions include:

- Spinach SOURZ' S-shape
- Redecan Redebles' crown design
- Tweed XPRESS' cannabis leaf design
- CHUZ' ü-shape

**GUMMY BRAND DISTRIBUTION:
SHAPED CHEWS VS. LEADER WANA**



CHUZ'
ü-shape



Redecan Redebles'
crown design



Tweed XPRESS'
cannabis leaf design



Spinach SOURZ'
S-shape

Key Takeaways

1

The Canadian market is evolving through the right-sizing of larger operators seeking to reduce costs as smaller LPs expand operations to better compete.

2

A handful of brands, like Spinach, Back Forty, and Dosecann, are pulling away from the pack recently with strong growth through both Brand Awareness and Recent Purchase, outpacing the overall market's growth.

3

Although flower remains king, edibles have seen strong growth through 2021 into 2022 and are poised to outpace flower growth through 2027. However, regulations within edibles will keep the overall dollar value well below flower overall.

4

Innovations in flower and gummies, like concentrate infused-pre-rolls and shaped gummies, are keeping the market interesting for consumers, giving them more opportunities to explore.



See what's next in Canadian CBD and Cannabis, and emerging CPGs, with user-friendly data on:



Market Landscape

Understand market position for strategic planning

Market Sizing

- Overall sizing and 5-year forecasts by product type and distribution channel.

Product Innovations

- Up-to-date product trends and innovations.

Company Profiles

- Detailed profiles with positioning, strengths, news and more to understand the composition.

Global Reach

- Understand the landscape across the US, Europe, LaAm, and Asian Pacific region.



Consumer Insights

Foster authentic customer relationships

Identify Target Personas

- Utilize standard personas or create your own for robust segmentation.

Understand Product Usage

- Insights into how, when, why, and which cannabis products consumers use.

Recognize Market Needs

- Take a forward-looking view at cannabis consumers to understand market needs.

Data collected quarterly via balanced consumer survey, N = 3000/quarter, N=12000 per year. Integrated with social media. First collection was Q3 2018.



Brand Health

Identify the whitespace that will set you apart

Purchase Funnel

- Measure conversion rates across top cannabis brands.

Brand-level Views

- Consumer demographics and personas in each stage of the purchase funnel.

Top Brand Attributes

- Top attributes, descriptors, and KPIs including repurchase intent, likelihood to recommend and Net Promoter Score (NPS).

Brand Health Benchmarking

- Compare your brand health to the competition across funnel stages and KPIs.



Distribution Trends

Look ahead to what's next in the world of cannabis

Product Trends

- Map your product distribution versus key competitors.

Product Development Pipeline

- Use robust data to inform your product development strategy.

Product Positioning

- Identify market opportunities with SKU and brand-level data.

To learn more about our solutions for cannabis, [schedule a demo](#).

Brightfield Group is the leading research firm for emerging categories including CBD, cannabis, and wellness. By integrating multi-source data with AI and research expertise into our cross-comparable data lake, we uncover robust insights as new markets develop. We have helped Marketing, Innovation, and Insights leaders drive customer-centric strategies on their next big idea since 2015.

See what we can do for you at brightfieldgroup.com.



BRIGHTFIELD GROUP