



The Legal Cannabis Market

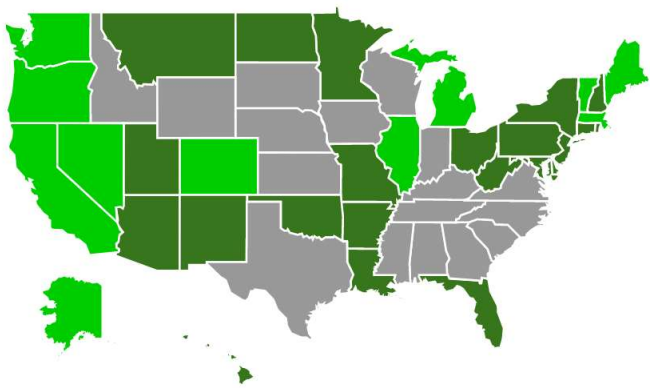
Overview and Growth Opportunities



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Cultivating Relationships and Opportunities

Sizable & Growing Market (States and Taxes)

- Legal in **33 States and D.C.** (medical or recreational)
 - ❑ Pace of new state programs accelerating
 - ❑ Access for ~2/3 of US population across medical and recreational
 - ❑ Including Adult Use/Recreational in **11 states and DC**
 - ❑ AK, CA, CO, D.C., IL, MA, ME, MI, NV, OR, VT, WA (28% of Residents in US)
 - ❑ AZ, NJ, NY: potential for 2020 recreational markets
 - ❑ Addition of AZ, NJ, NY: Over 128 Million in Adult Use States
- ~2 Million medical cannabis patients across the U.S.
- New source of critically needed state **tax revenues**

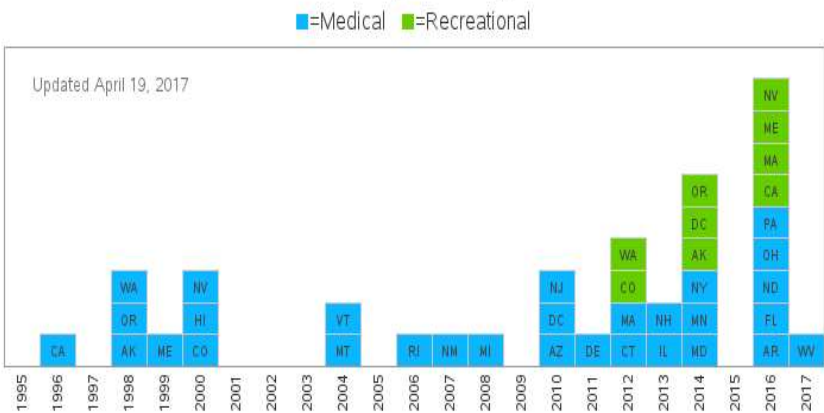


Marijuana Legalization Status

- Medical marijuana broadly legalized
- Marijuana legalized for recreational use
- No broad laws legalizing marijuana



Timeline of State Marijuana Legalization Laws



Sources: US Census, Governing.com, Civilized Life

US Market Size in Perspective (Population)

US Relative to Canada (first G7 country to legalize recreational use)

Recreational Markets: USA TODAY (~93M PEOPLE)

2.5x all of Canada's population

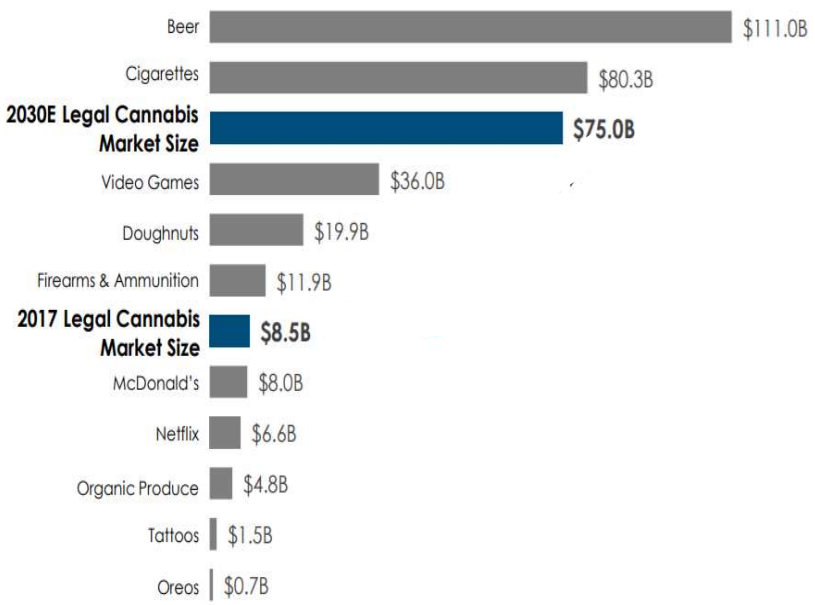


Sources: US Census (7/17 population figures), StatsCanada (YE17), Governing.com

Sizable & Growing Market (Revenues)

- Among fastest growing markets in modern history
- ~\$12 Billion in 2018E Sales → \$32B+ in 2022E
 - Nielsen projects a \$4.1 Billion US market by 2025
 - Cowen Research projects a \$75B US market by 2030

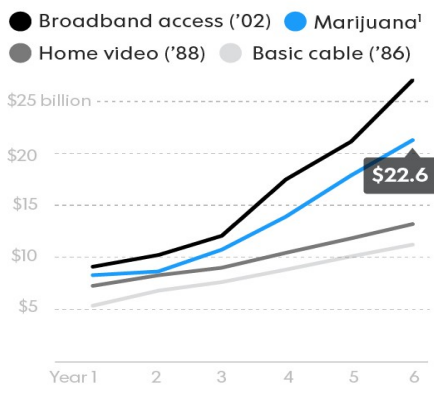
US: Unparalleled Industry Growth



Source: iAnthus Capital

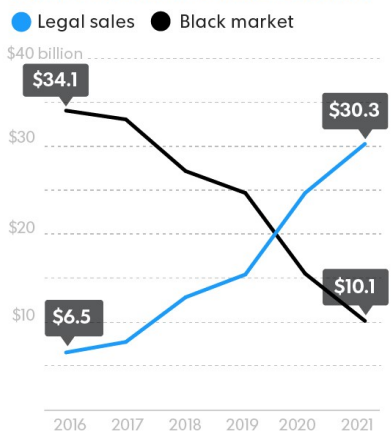
FAST-GROWTH POTENTIAL

Annual spending after each industry reached \$5 billion in sales:



1 Annual projections starting in 2016
 SOURCE Arcview
 Jim Sargent, USA TODAY

LEGAL SALES EXPECTED TO ECLIPSE BLACK MARKET FOR MARIJUANA



SOURCE GreenWave Advisors
 Jim Sargent, USA TODAY

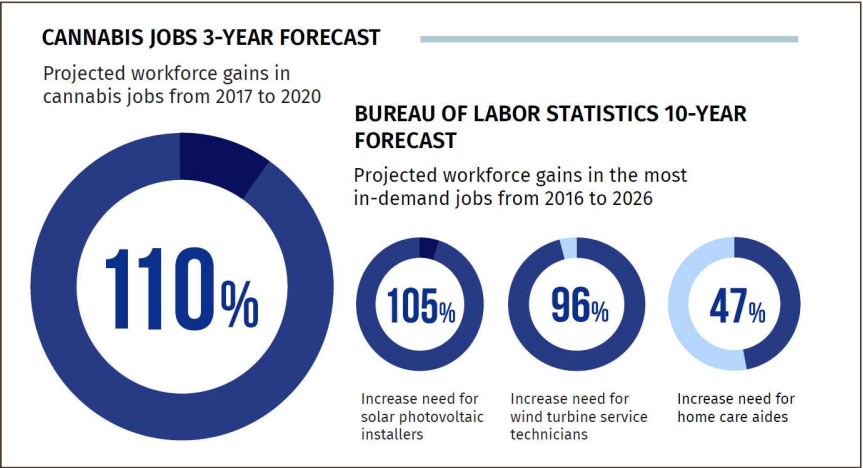
Worldwide Spending by Market (In Billions)



Source: Arcview Market Research/BDS Analytics

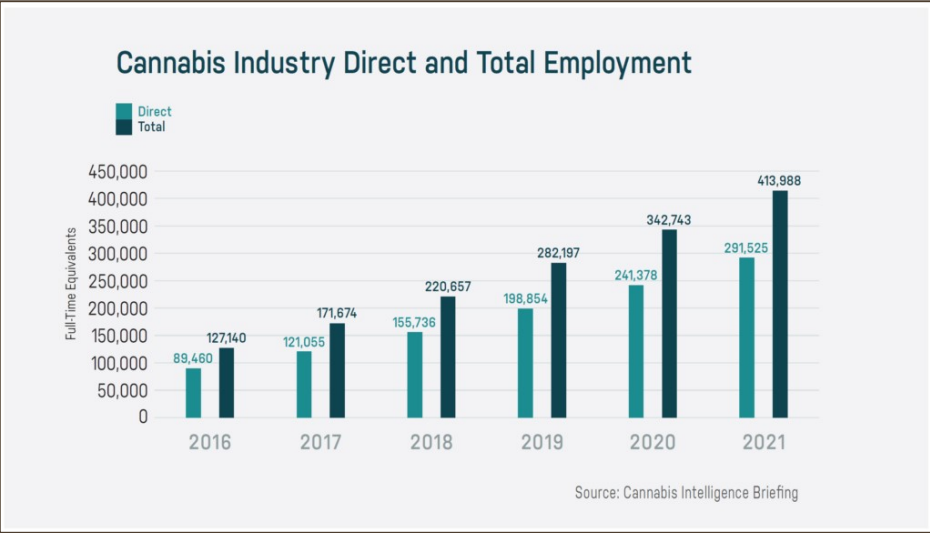
Sizable & Growing Market (Economic Development)

- Significant creation of businesses and jobs in short period of time
- **Over 25,000 businesses** in the U.S.
- **~150,000 jobs** created → **~300,000** by 2021E
(2018 Marijuana Fact book)
- Newest figures: **211,000+ jobs – up 64,000 in 2018!** *(Leafly Special Report: Cannabis Job Count, 3/2019)*



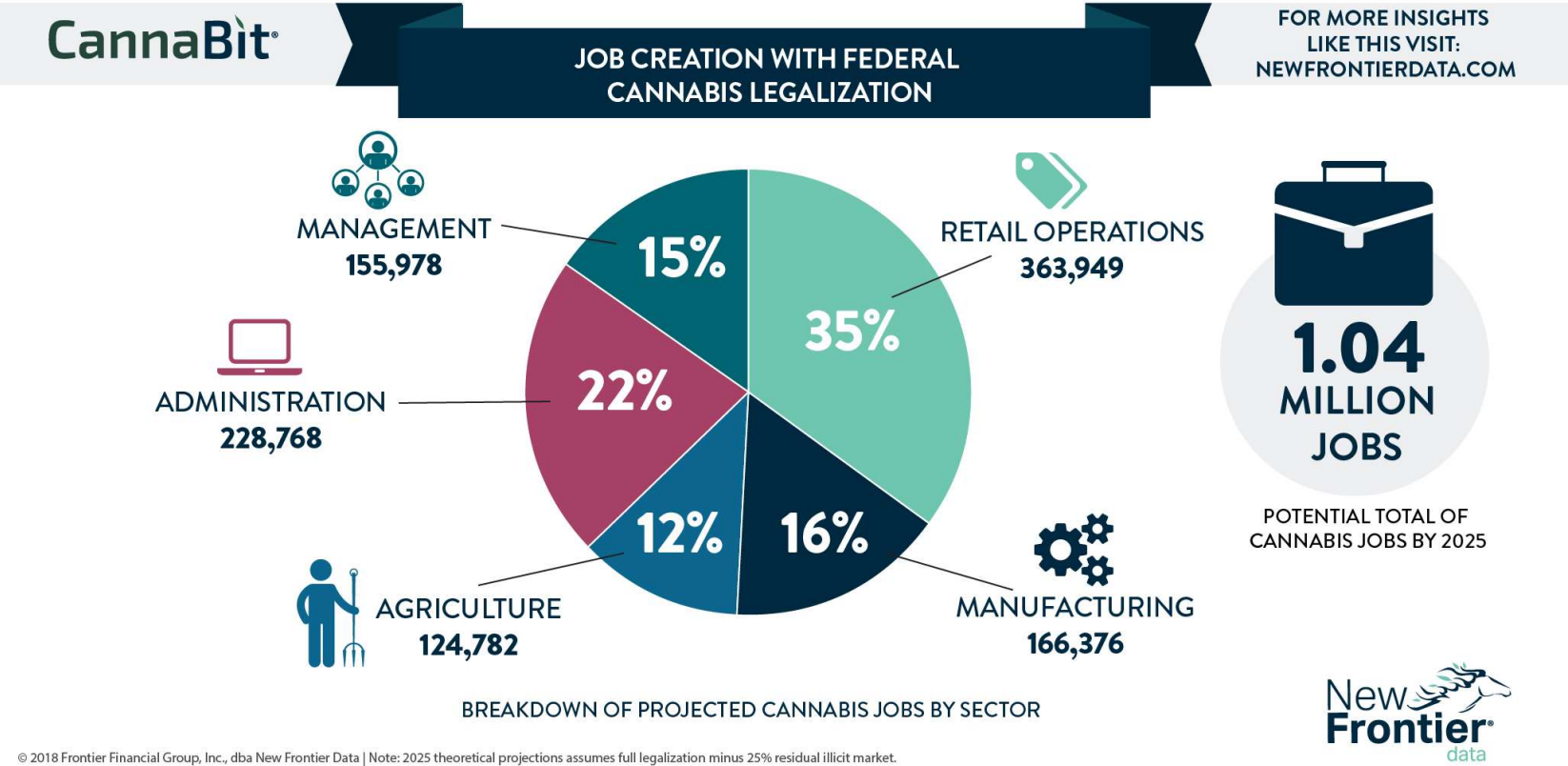
Estimated Cannabis Businesses (2018E)		
	Low Est	High Est
Dispensaries	3,500	4,500
Wholesale Cultivators	4,500	5,500
Infused Product Manufacturers	2,000	3,000
Testing Labs	100	200
Ancillary (eg, technology)	15,000	20,000
Total 2018E - # of Businesses	25,100	33,200

Source: Marijuana Factbook 2018



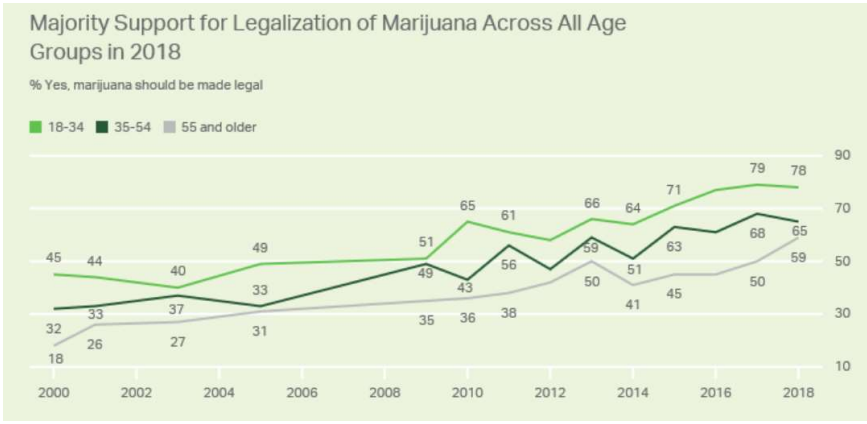
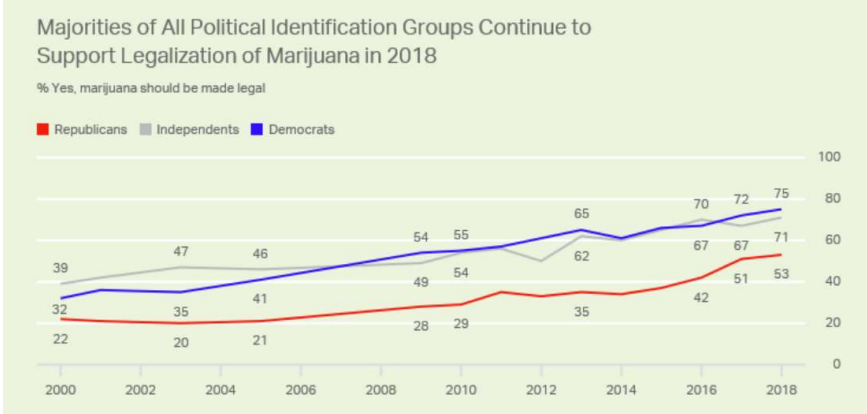
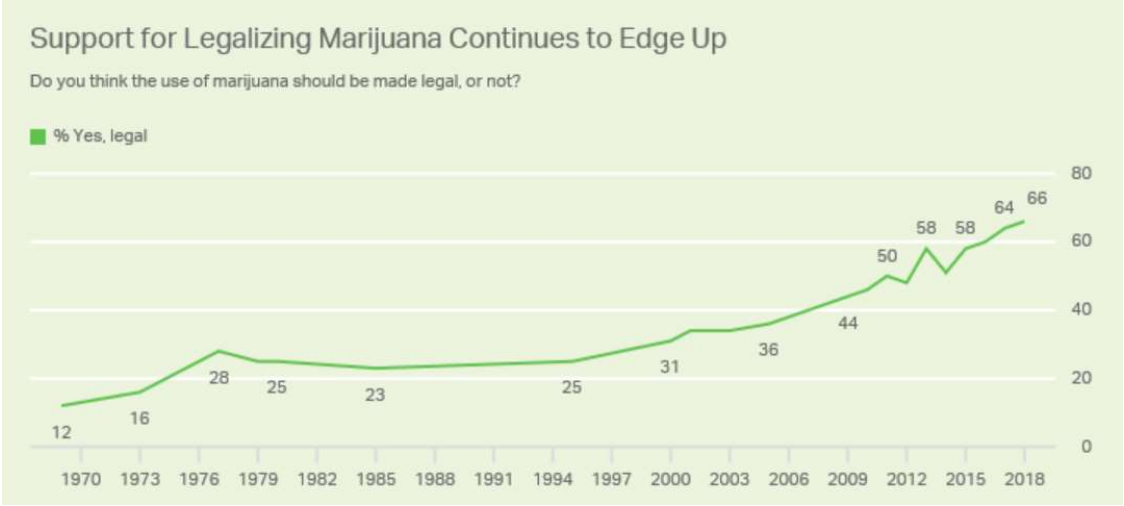
Sizable & Growing Market (L/T Job Creation Opportunity)

- The longer term opportunity
 - ❑ Federalization could lead to over 1 Million jobs by 2025E



Drivers of Growth: Public Support (Gallup)

- Growing support for legalization
 - ❑ New high of 66% (Oct 2018 Gallup poll)
 - ❑ Bi-partisan: majority of Republicans since last year
 - ❑ Across age groups: including 59% of those 55 and older
 - ❑ Across the US: regardless of region, support at 65% or more



"Two-thirds of Americans now support legalizing marijuana, the highest percentage ever in Gallup's ongoing decades-long [49 years] series of national polls on the topic...When Gallup first polled Americans on legal marijuana in 1969, just 12% said they were in favor. As recently as 2005, barely a third of Americans were on board." (Forbes, 10/22/18)

Source: Gallup

Drivers of Growth: Public Support (Pew Research Center)

➤ Additional validation through Pew Research

- ❑ **New high of 62%** (Oct 2018) -- *up from 41% in 2010 and 31% in 2000*
- ❑ **Political party:** 45% support among Republicans (up from 39% in 2015)
 - Independents leaning Republican strongly support legalization (59%)
 - Democrats – nearly 7 in 10 support legalization (69%)
- ❑ **Age groups:** more defined categories indicates lessor support among 'silent generation' (39% but trending upwards)
 - *Gen-X and Millennials – very strong support (63% and 74% respectively)*

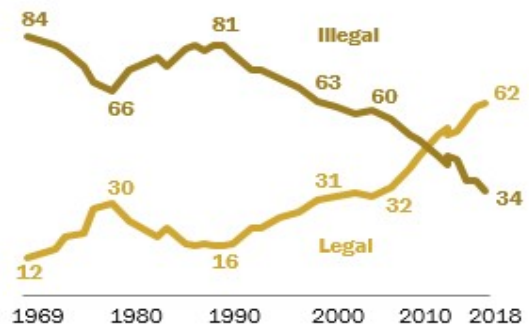
Broad Support Across Multiple Demographic Profiles

% who say the use of marijuana should be ...

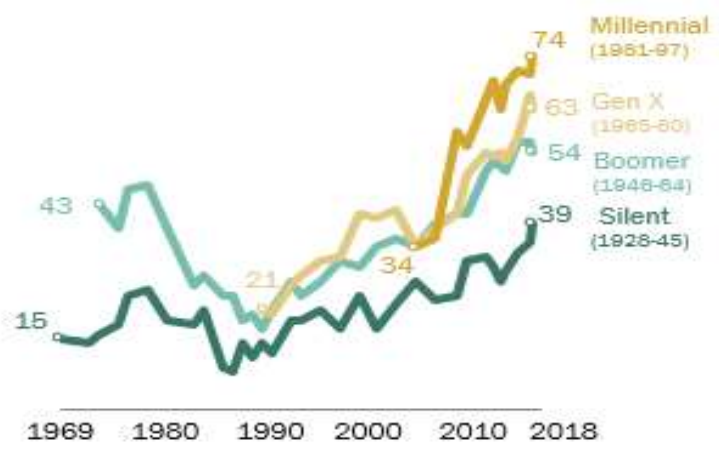
	Illegal	Legal
Total	34	62
Men	30	68
Women	38	56
White	30	66
Black	39	56
Hispanic	50	48
Postgraduate	30	63
College degree	32	64
Some college	30	67
HS or less	40	56
Republican	51	45
Democrat	28	69
Independent	28	68
Lean Republican	36	59
Lean Democrat	23	75
White evangelical Prot	52	43
White mainline Prot	31	64
Catholic	44	52
Unaffiliated	19	79

U.S. public opinion on legalizing marijuana, 1969-2018

Do you think the use of marijuana should be made legal, or not? (%)



% who say marijuana should be made legal



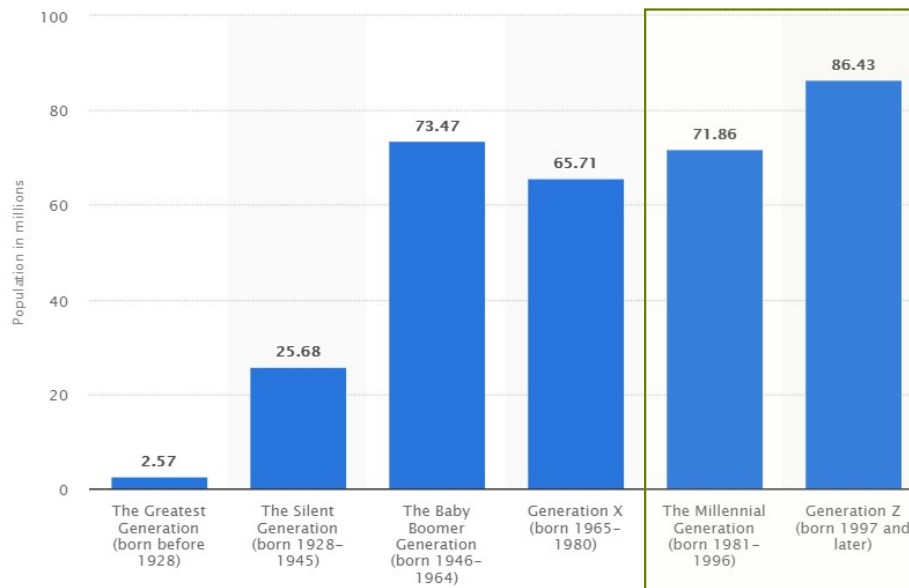
Source: Pew Research Center

Drivers of Growth: Demographic Impact

➤ Significant repercussions to strong support among Millennials and Gen Z

- ❑ Millennials set to surpass Baby Boomers in 2019
- ❑ Gen Z also comprise over 86 Million people
 - Next wave of consumers
- ❑ Combined population of nearly 160 Million

US Population by Generation (2017E)



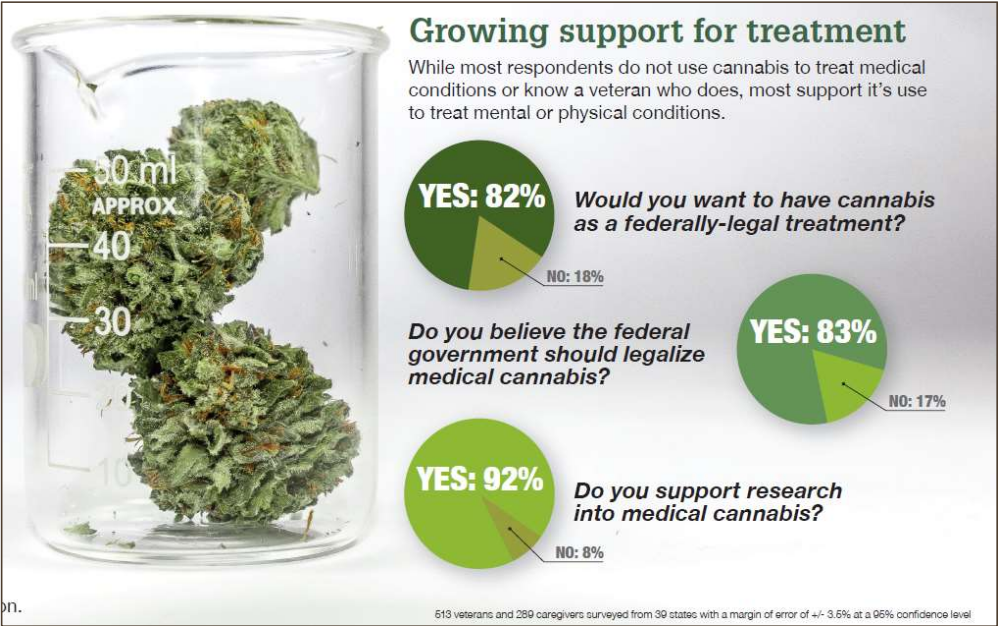
“When it finally comes time for the federal government to dig the cannabis plant out of the pit of prohibition and allow it to be sold nationwide in a manner similar to alcohol, a new survey finds that it could be the voice of the millennial generation that pulls the movement over the hump.”

“The latest data from The Tylt, which is ‘the largest and fastest growing social polling and opinion platform among millennials,’ shows it is going to be next to impossible for Uncle Sam to ignore millennials on the issue of pot reform for much longer.”

(Forbes.com, The Millennial Voice Could End Federal Marijuana Prohibition, 4/19/18)

Drivers of Growth: Veterans and Physicians

- The American Legion (largest US veterans organization with ~2M members) is a key advocate for legalization and conducted a national survey (November 2017)
- Medscape Medical News (5/18 poll) points to increased comfort in medical community



	Should Cannabis Be Legalized Nationally? (% responding YES)	
	Medical	Recreational
Physician	67%	53%
Health Business /Administration	88%	72%
Nurse	82%	57%
Pharmacist	71%	54%
Psychologist	82%	61%

Drivers of Growth: Interest from Traditional CPG Firms

- **Scott Miracle Grow** establishes unit to acquire cannabis related companies (e.g., fertilizer, hydroponics) – **over \$1 Billion in acquisitions** since 2014
- Constellation Brands (owns Mondavi, Ruffino, Corona, Svedka) **invests \$4 Billion** in Canadian cannabis firm, Canopy Growth
- **Coca-Cola** exploring functional CBD (cannabidiol; non-psychoactive component of cannabis plant) beverages
- **Molson Coors** launches JV with cannabis firm Hexo for cannabis beverages
- **Heineken-owned Lagunitas** partners w/AbsolutExtracts to launch Hi-fi Hops
- **Altria** (owns Marlboro) invests ~\$2B in Cronos Group
- **Blue Moon** founder to launch new cannabis infused beverage company, Ceria



Drivers of Growth: Medical Benefits & Increased Academic/Industry Focus

➤ Numerous medical applications

- ❑ Multiple Sclerosis / Epilepsy / Chronic Pain / Opioid substitution / Depression / Stress / PTSD

➤ Pharmaceutical industry beginning to formally investigate opportunities

- ❑ FDA approved Epidiolex, a new cannabis-derived medication for 2 rare forms of epilepsy in 2018
- ❑ Novartis subsidiary will partner with Canadian cannabis firm, Tilray on R&D and sales

➤ Increase in studies/trials and academic focus...examples:

- ❑ **Columbia University:** Substance Treatment and Research Service

- ❑ **Philadelphia University:** Lambert Center for the Study of Medicinal Cannabis & Hemp

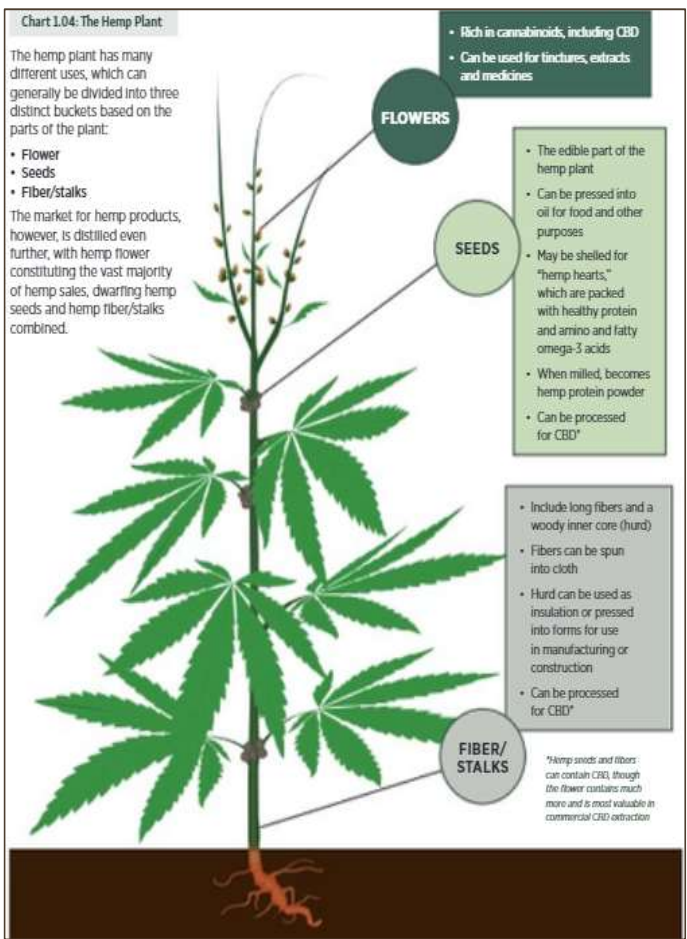
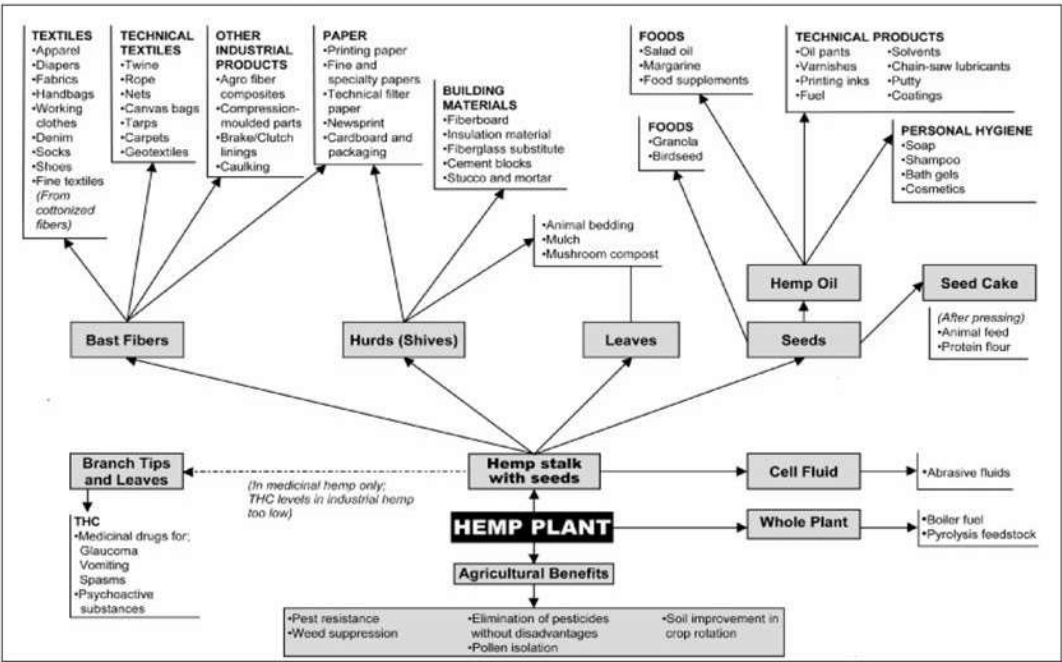
- ❑ **UC San Diego:** Center for Medical Cannabis Research

- ❑ **Colorado State University:** Institute of Cannabis Research



Drivers of Growth: Additional Opportunities through Hemp

- Significant growth projected for hemp
 - CBD products (cannabidiol; non-psychoactive component of cannabis plant); thought to be useful as anti-inflammatory, anti-anxiety, workout recovery (projected to generate over \$2B in sales by 2022 – with some estimating multiples of that figure)
 - Industrial applications: multi-billion market opportunities as US industry comes back



Key Challenges

➤ **Continues to be federally illegal**

- ☐ Impediments to banking (deposits, loans, payroll, credit card processing, etc.) due to Federal illegality
- ☐ Limits institutional investments
- ☐ Interstate commerce is illegal (must run individual state operations)
- ☐ Societal impact (criminalization has significant long term costs and repercussions)

➤ **Taxes**

- ☐ 280E tax challenge – significantly limits deductions for businesses engaging in the trafficking of Schedule I or II controlled substances

➤ **Significant regulatory requirements**

- ☐ Costly process to apply/obtain licenses
- ☐ Seed to Sale tracking requirements

➤ **Variation in state regulations**

- ☐ Significant differences in regulations around licensing, distribution, sales
- ☐ Redundant personnel required

➤ **Other: Real Estate / Security / Talent**

(Note: States Rights Act which has bipartisan support would address most of these issues)



Thank You



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