

The CBD Opportunity

NBCUniversal



Evaluating the CBD Opportunity

As legalization of cannabis has grown, so too has interest in CBD. As of 2019, 1 in 7 American Adults said they personally used CBD-based products.

With growth projected over the next few years, brands across industries like personal care, beverage, and retail are leaning into the ever-growing CBD category. If consumer access and demand continues, advertising norms for the category are poised to evolve. This presents an opportunity to understand the CBD marketplace and consider the implications for brand go-to-market strategies.



CBD Landscape Overview

CBD Overview

What is CBD?

CBD (cannabidiol) is a chemical compound found in the cannabis plant. It's a naturally occurring substance that's used in products like oils and edibles to impart a feeling of relaxation and calm. Unlike its cousin, THC - the major active ingredient in marijuana, CBD is not psychoactive.

Is it legal?

Yes, purchasing CBD is federally legal as long as it does not contain more than 0.3 percent THC, but some state laws have put restrictions on buyers. For example, Virginians can only buy and possess CBD if they have a prescription.

How is CBD used?

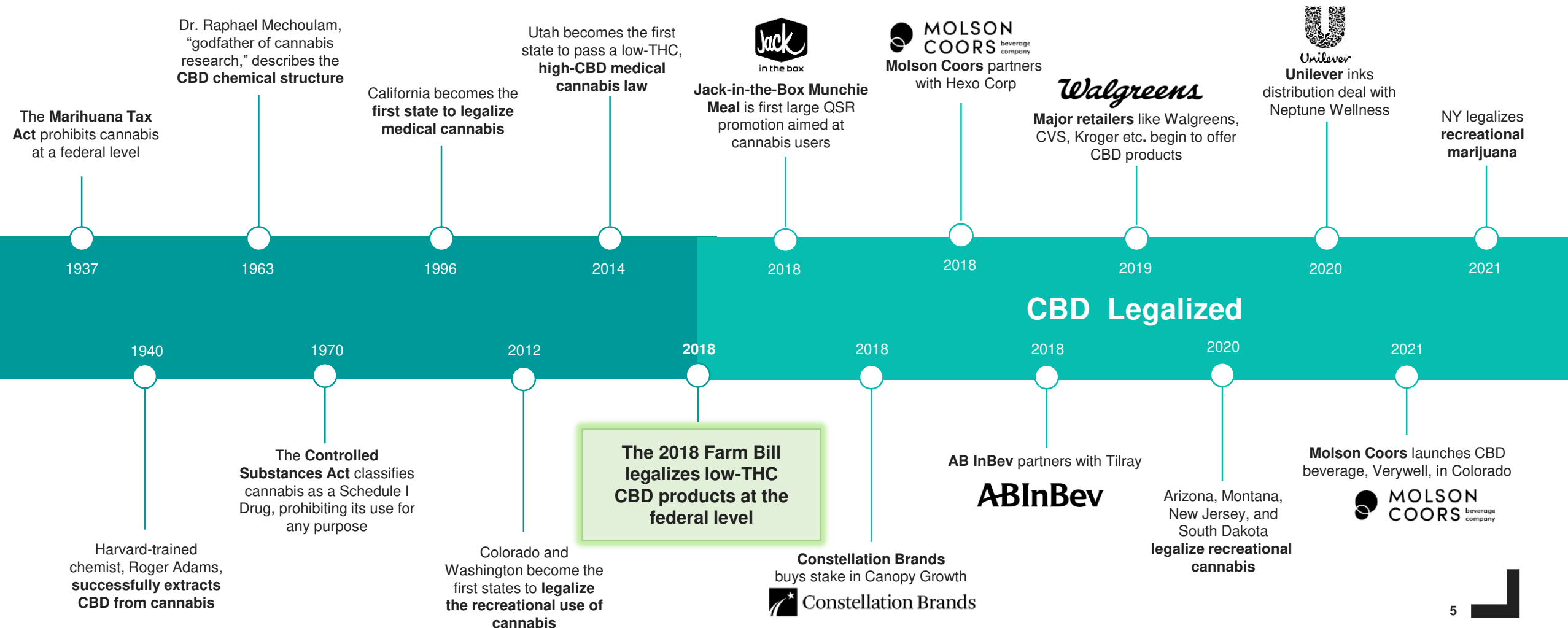
Topicals

- * Inclusive of creams, serums, tinctures, OTC supplements etc.
- * Comprised ~81% of the market in 2020

Edibles/Consumables

- * Inclusive of foods, beverages, pet care products etc.
- * Comprised ~13% of the market in 2020

Timeline: The Evolution of CBD



As cannabis legalization has grown, so has consumer interest in CBD

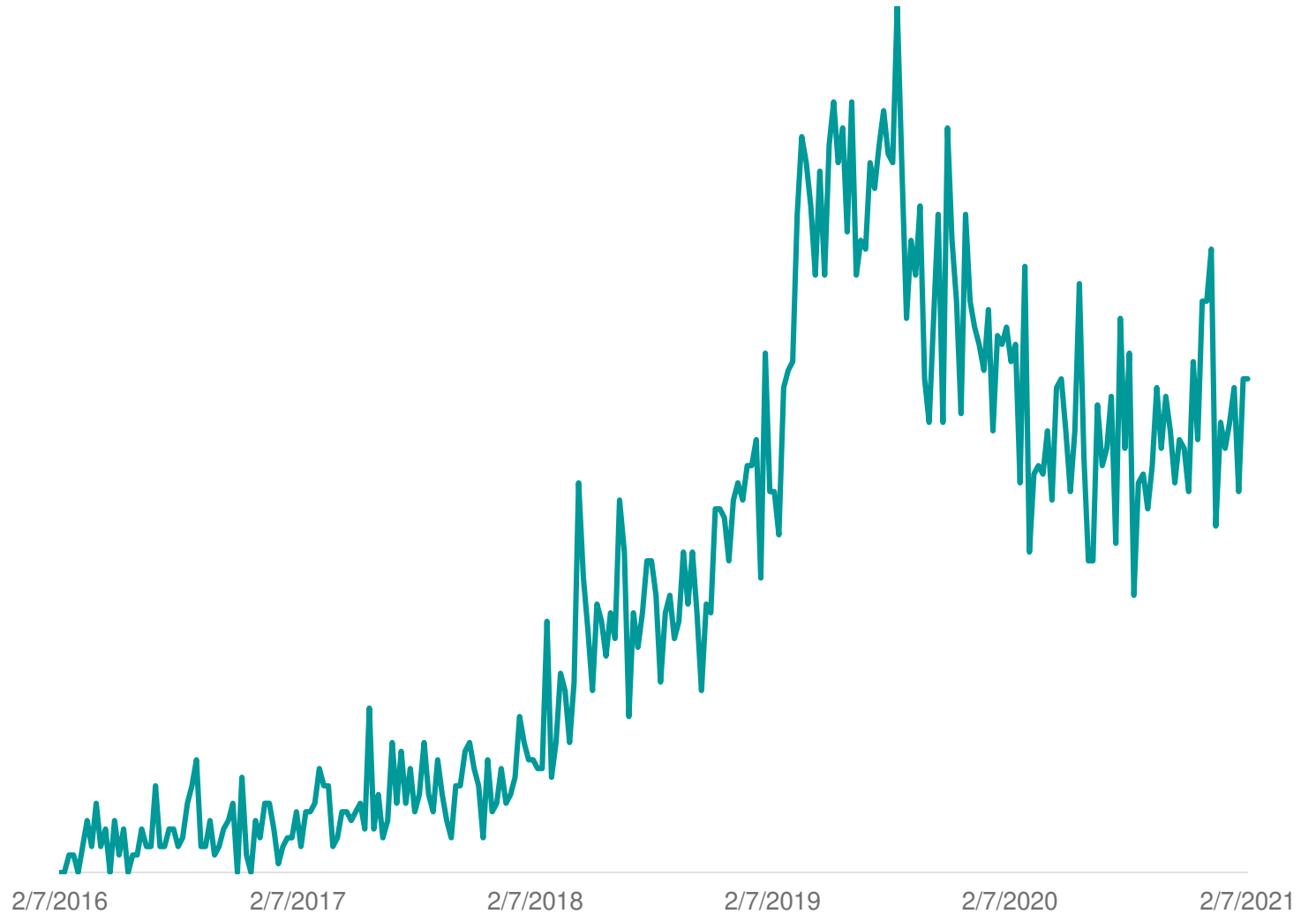
14%

of U.S. adults say they personally use CBD products, according to 2019 Gallup research



CBD

(U.S. Google Search Interest over Time)



Source: Gallup, Google Trends, "CBD", 2/14/2016 to 2/8/21

Consumer Observations:

Characteristics of the evolving CBD Consumer



Skews Younger but Used Across Ages

Nearly 20% of both adults under 30 and over 50 say they personally use CBD products.



More Popular Among Women

15% of women (vs. 12% of men) say they use CBD products, driven by likelihood to be more adventurous in trying new personal care products.



Pet Owners Lean into CBD

Over 24% of pet owners use CBD products for themselves, their pets, or both. CBD market trends show that cannabidiol-infused products for dogs and cats will account for 3% to 5% of all CBD oil sales in the U.S. by 2025.

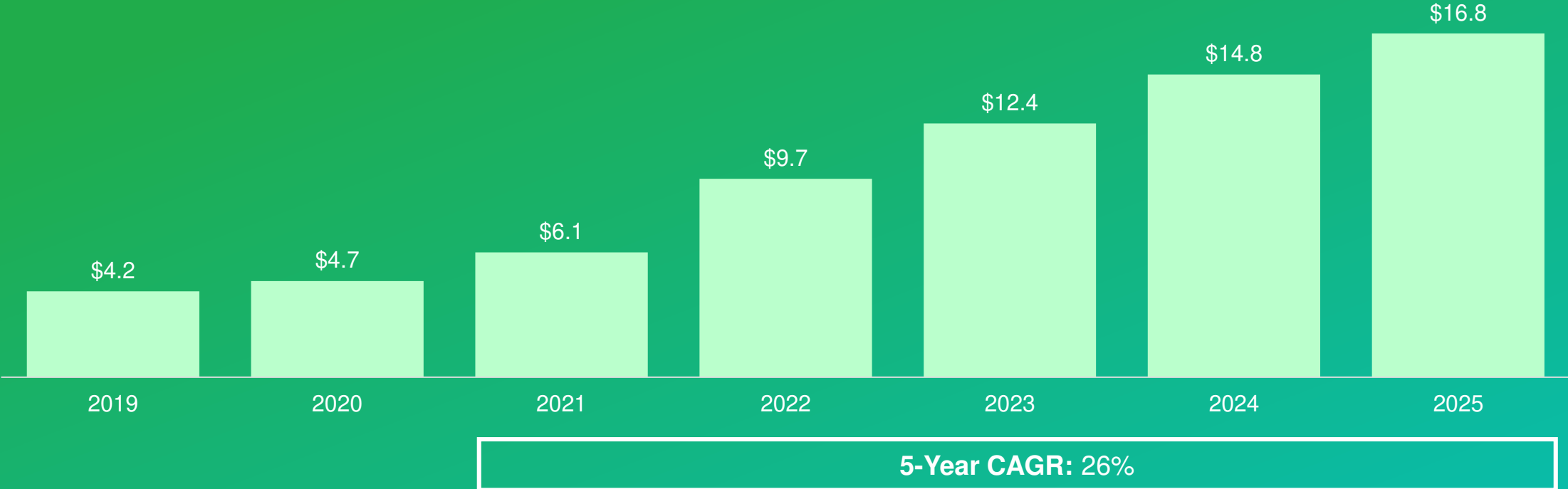


Western States Set the Pace

CBD usage is higher in the Western U.S. as CBD products have been available for a longer time to residents of those states.

As a result, the overall CBD category is projected to grow

U.S. CBD Market Size & Forecast (Billions)



Source: Brightfield Group, July 2020 U.S. CBD Report

Trends Fueling the CBD Category

Health & Wellness

The larger trend of health & wellness is driving usage of CBD products, as consumers are drawn to its benefits as a source of relief from anxiety, insomnia, muscle pain, and other ailments.

Innovation & Distribution

Innovations in CBD gene sequencing and portable packaging have enabled CBD to enter new markets, such as the booming RTD beverage category. Improvements to CBD purification and infusion technology has made the incorporation of CBD to everyday products easier than ever.

New Market Entrants

The growth in demand and popularity of CBD, as well as its functional applications, has attracted the attention of large CPG and Beverage brands. MillerCoors, AB InBev, and Unilever, among others, are poised to bring even greater CBD awareness to the masses.

COVID Impact

Self care has become the most common topic when CBD is discussed on social media. **39% of CBD consumers indicated they're using CBD more frequently as a result of COVID-19.**

CBD ecommerce sales spiked as the pandemic hit, with many first-time users turning to ecommerce channels. **Online CBD sales remain strong** as stay-at-home orders are lifted.

While regular CBD consumers have increased their consumption, business pressures and the entry of new players led to **large scale consolidations** during the pandemic.

Key Players Within the CBD Category

Even as it consolidates, the CBD category is remarkably diverse as both new and legacy brands continue to enter

Big Players

Cannabis Companies

HEXOTM
CORP

 Columbia Care

 **TILRAY**[®]

 curaleafTM

CRESCOLABS[®]

 **AURORA**

CBD-Only Companies

 CHARLOTTE'S WEB
STANLEY BROTHERS

 **CV SCIENCES**TM

 CBD
American Shaman

 **LAVAL**
SELECT CBD

 **GREEN ROADS**[®]

 **NEPTUNE**
WELLNESS SOLUTIONS

CBDISTILLERY

Supplement Brands

ESTD 1989
 **BARLEAN'S**

 Garden of Life

 irwin
naturals.

Natures Plus.

Small Players

Celebrity-Owned Brands

 happy
dance

 MADE WITH CANADIAN
UNCLE BUD'S
HUSTLE & HEAT

 **WILLIE'S**
REMEDY

BARKER
WELLNESS Co

Martha
STEWART

Disruptors (small but growing)

cbdMDTM

 **MEDTERRA**

As CBD adoption grows, legacy brands are looking to capture growing demand

Beverage



Molson Coors expands partnership with Hexo to launch CBD beverages in Colorado.

AB InBev

AB InBev partners with Tilray to produce CBD beverages.



Canopy leverages Constellation relationship to bring CBD-infused drink to U.S. stores.

CPG



Avicanna, hosted by J&J, enters agreements to develop CBD products for U.S. distributors.



Neptune Wellness partners with CPG giant, Unilever, as a stocking and logistics partner in the U.S. and Canada.



Kellogg joins Coca-Cola and Pepsi in forming a regulatory and advocacy council for CBD.

Retail



Walmart partners with New Age Beverages to distribute their CBD beverages.



Kroger adds Charlotte's Web, The Yield Growth Corp., CV Sciences Inc., among others to its growing list of CBD brand offerings.



CVS Pharmacy begins selling hemp-derived CBD products in eight states, marketing the topical cannabidiol products, as "an alternative source of relief."

CBD is a growing priority for brands across industries



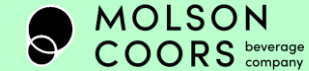
“We have partnered with CBD product manufacturers that are complying with applicable laws and that meet CVS’s high standards for quality. We think this is something that **customers are going to be looking for as part of their health offering.**”

CVS CEO, Larry Merlo



“CBD is probably **the most powerful ingredient** that we're going to see over the next decade in the personal care market.”

Schmidt’s Natural (Unilever) CEO, Michael Cammarata



“We’ve laid out a clear vision of leveraging the competitive strengths of our foundation in beer to grow in new spaces beyond the beer aisle. The launch of [CBD beverage] Verywell is a key example of **expansion into new beverage categories.**”

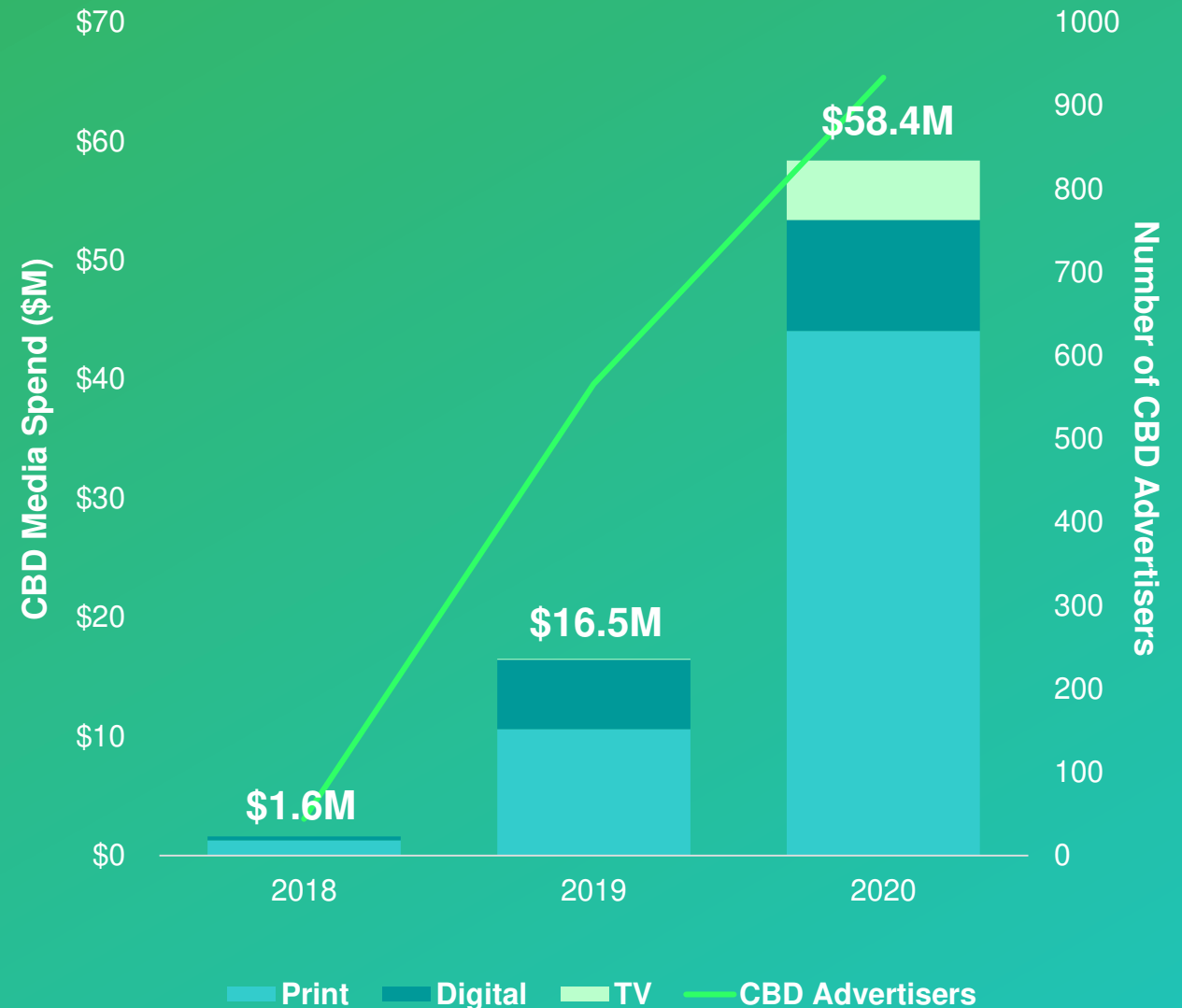
Molson Coors President of Emerging Growth, Pete Marino

CBD Media Considerations

CBD Media Spend Overview

- Overall CBD media spend **increased 350%** in 2020
- Print was the largest channel for CBD spend in 2020, representing **75%** (*Lifestyle magazines such as OK! Weekly, Life & Style Weekly, as well as Golf magazines*)
- **\$3.7M** in Podcast spending in 2020 (*included in digital*)
- Between 2019 and 2020, the number of CBD advertisers **increased 70%**
- CBD TV spend is exclusively composed of **topical CBD products**

CBD Media Spend by Platform



CBD Considerations

As the CBD market matures, brands will be looking to achieve objectives and drive impact

1

Generate Awareness

Build consumer awareness and understanding around CBD products to support brand initiatives and grow the category.

2

Build Trust

Provide education to combat category stigmas, create reassurance and ultimately drive consideration.

3

Create Differentiation

Connect with consumers and differentiate from growing competitive set by communicating unique brand proposition.

A CASE STUDY: The U.S. Sports Gambling Category

U.S. sports gambling was federally legalized in 2018, and like CBD, faced both legal restrictions and social stigmas

Current U.S. Sports Gambling Advertising Restrictions

- All marketing is regulated by state-by-state gaming commissions
- Commissions frequently ban betting on college and youth sports
- Like CBD, no national advertising standards until Supreme Court overturned Federal ban on sports betting in 2018

Short-term Impact:

Limited Spend; In Line with Regional Restrictions

2017 Category Spend Overview:

- \$4M category spend in Print
- \$5M category spend in Digital
- \$30M category spend in TV

Current Landscape:

TV Spending Grows +650%

2020 Category Spend Overview:

- Print declined tremendously
- Digital remained constant
- TV spend explodes: **\$195M category** including presence in tentpoles (i.e., Super Bowl)

The Future:

Continued Category Growth & Engagement

Massive push into Sports Betting by broadcast and cable networks:



NBCUniversal buys 5% stake in PointsBet (\$500 million)



CBS locks in William Hill official sportsbook sponsor



Turner Sports develops integrations with DraftKings and FanDuel to leverage new multi-year partnerships



Fox Sports launches online betting app, "Fox Bet", as well as 5% stake in online gaming/gambling company Starts Group Inc (\$236 million)

A collection of cannabis-related products including leaves, droppers, and capsules. The items are arranged on a light-colored surface, with some items partially obscured by a white rectangular overlay. The overlay has green L-shaped corner accents in the top-left and bottom-right corners.

Thank You!

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