

Market Update

Massachusetts Adult Use Marijuana

February 2021



Cannabis Business Consulting

Strategy – Compliance – Operations

LET US HELP YOU GROW.

To prepare this market update, Nucleus One tracks publicly available data from the Cannabis Control Commission (the “CCC”) of Massachusetts on an ongoing basis.

Combining data analysis with deep business expertise and an extended network of industry relationships, our team identifies and captures cannabis business opportunities in Massachusetts and across the United States.

Please contact us for any questions or insights to complement this ongoing effort to make sense of the marijuana market.

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Stay tuned via LinkedIn



Consulting for the Cannabis Industry

WHAT WE DO

- Business Strategy
- Licensing & Planning
- Application Support
- Project Management
- Interim CFO & Controlling
- Financial Planning
- Due Diligence
- Compliance & SOPs
- Operational Turnaround
- Market Research

WHAT WE PROVIDE



**Nationwide
Expertise**

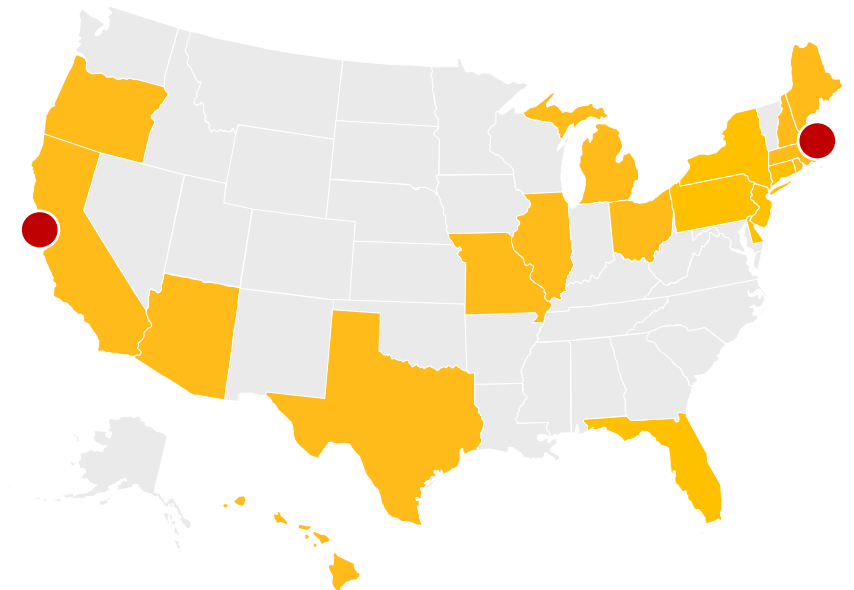


**Ongoing
Support**



**Competitive
Rates**

WHERE WE'VE BEEN

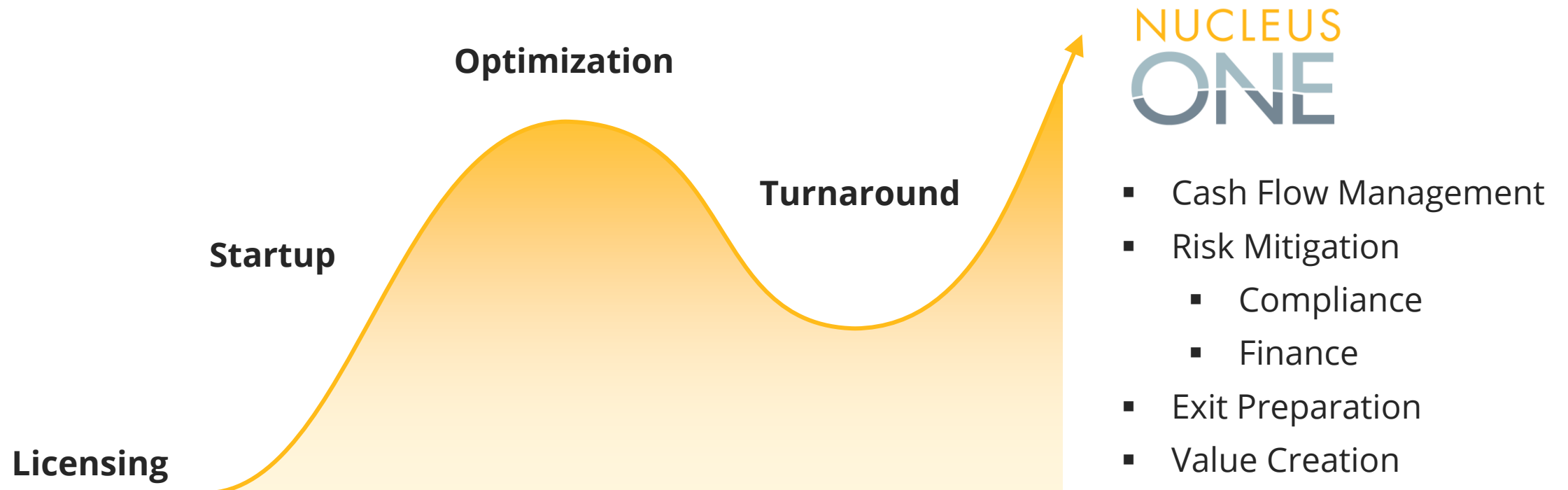


 Clients & Projects

 Nucleus One's Presence

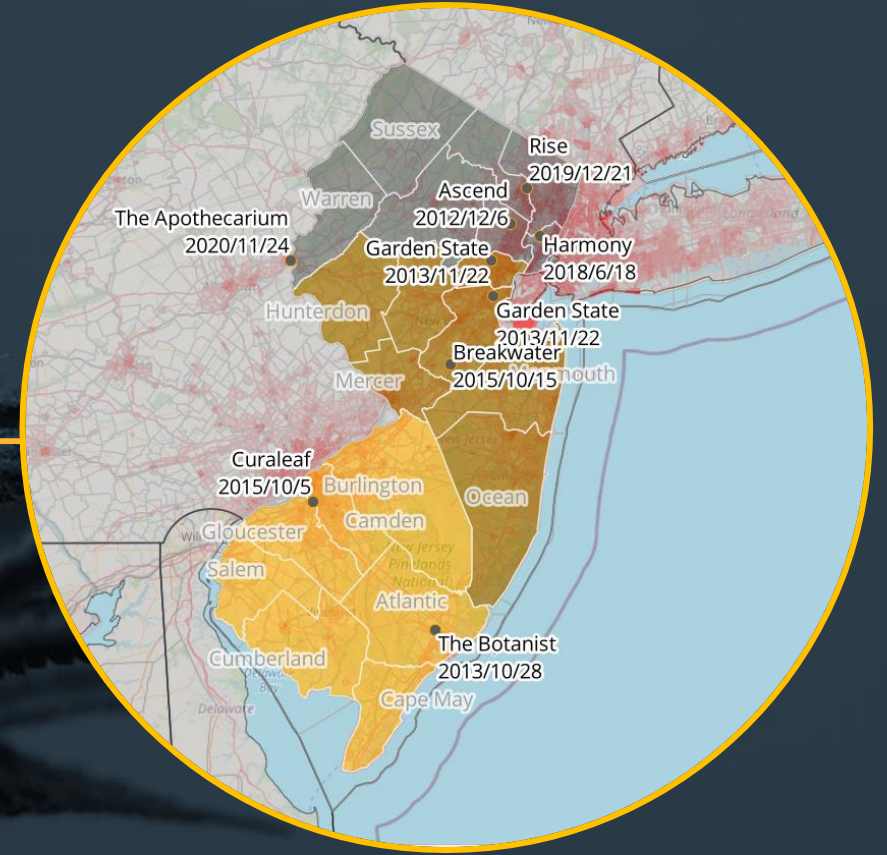
Consulting for the Cannabis Industry

Maximizing your value through the different stages of your company's lifecycle



New Jersey Marijuana Market Report

Contact us to receive our
upcoming report



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Strategy – Compliance – Operations

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Nucleus One's Perspective

- Our last report showed a decline in sales in November 2020 but this was a short-lived headwind: since then, the Massachusetts adult-use has broken new sales records in both December and January with 98 retailers now active across the Commonwealth.
- January sales jumped to \$87.1M up 68% from last year. Based on these new highs, annualized sales now top \$1 billion and counting. The retail economics also show strong resilience with daily sales per store stabilizing around \$30k, while the share of flower has hit an all-time low in December (45.1% vs. 54) confirming the growth of other product categories.
- The value potential of the Massachusetts medical and adult-use markets has been confirmed again on Feb. 22 with the announcement that NETA, the largest Massachusetts operator measured by active agents (1,575), and its parent company, Parallel, would go public following a SPAC agreement with Ceres Acquisition Corp., valuing the company at \$1.9B.
- Meanwhile, the Cannabis Control Commission has had an active start to 2021, publishing new Medical and Adult Use Regulations on January 8th and welcoming three new commissioners, Nurys Z. Camargo, Bruce Stebbins and Ava Callender Concepcion. Challenges to the new delivery rules were also dropped, clearing the way for an exciting delivery market that has only become more relevant as the new consumption habits of the “New Normal” seem to stick.



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1 Highlights – Key Figures & News

As stores continue to open at a fast pace, the Massachusetts adult-use retail sales reached anew heights in early 2021

Key Figures as of Feb. 23, 2021

\$87.1M Jan. sales

+68% vs. Jan. 2020 (\$52.0M)

98 stores in operation

+18 vs. October (80 stores)

246 final licenses

+134% vs. Jan. 2020 (105)

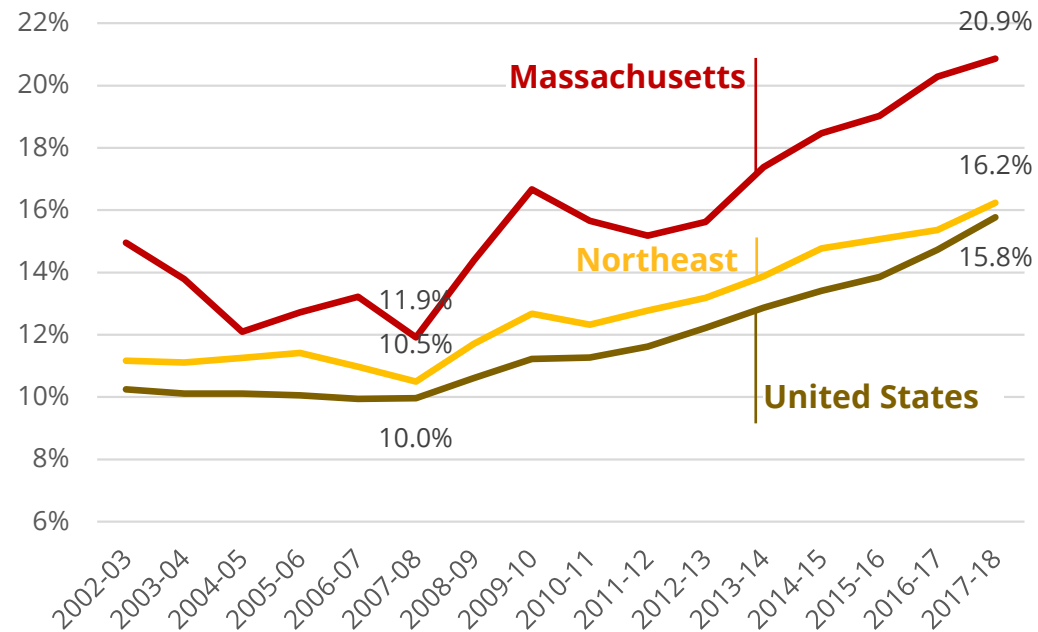
What's New

- Parallel, parent company of NETA, has entered into an agreement with Ceres, a SPAC that would allow the company to go public at a valuation of \$1.9B.
- The Cannabis Control Commission published New Medical and Adult Use Regulations on January 8th and also welcomed three new commissioners this year: Nurys Z. Camargo, Bruce Stebbins and Ava Callender Concepcion.
- Northampton waived the community impact fee of 3% on gross sales for cannabis businesses, amending the 23 HCA agreements with 17 companies.
- The Commonwealth Dispensary Association and Foley Hoag dropped legal challenges against the new delivery rules after several members left the organization over fears about equity on Jan 22-23.
- The medical marijuana program has recorded a significant uptick since the beginning of the pandemic: the milestone of 100,000 patients has just been reached, up from 67,742 in March 2020.
- Good Feels Inc. in Medway received its provisional license, paving the way to the second THC-infused beverage manufacturer after Cultivauna, LLC (LEVIA brand) which just launched a seltzer across 45+ retail stores.
- Discussions about eliminating the vertical integration requirement for medical operators is likely to start in the next few months according to Steven Hoffman.

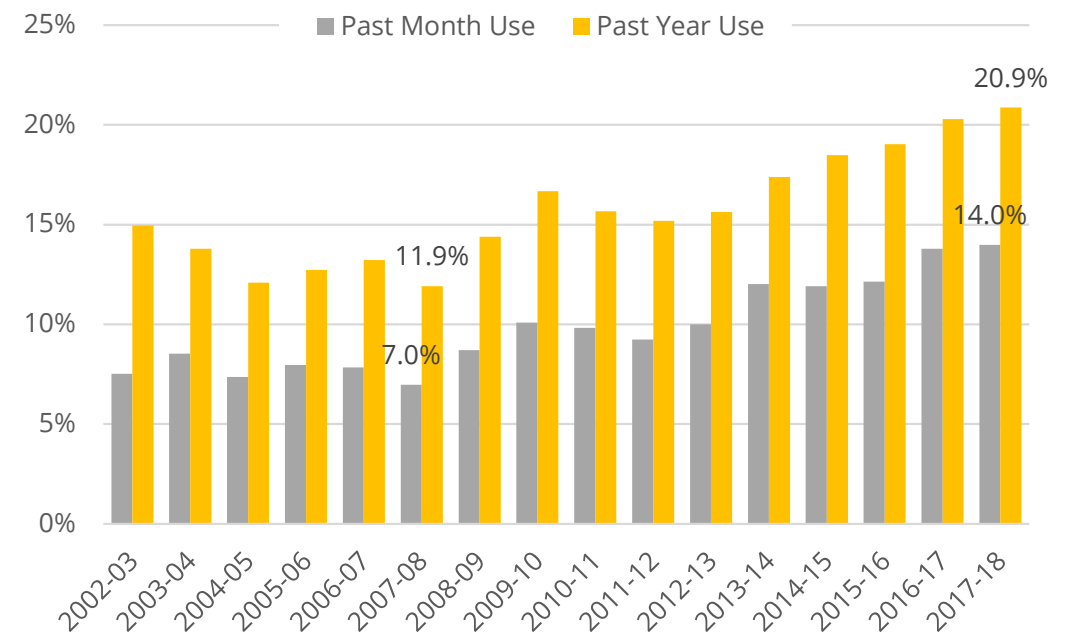
Cannabis Consumption Trends

Massachusetts cannabis consumption increased dramatically over the last 10 years and is bound to grow further

Past Year Use Rate Comparison



Past month vs. Past year Consumption in Mass.

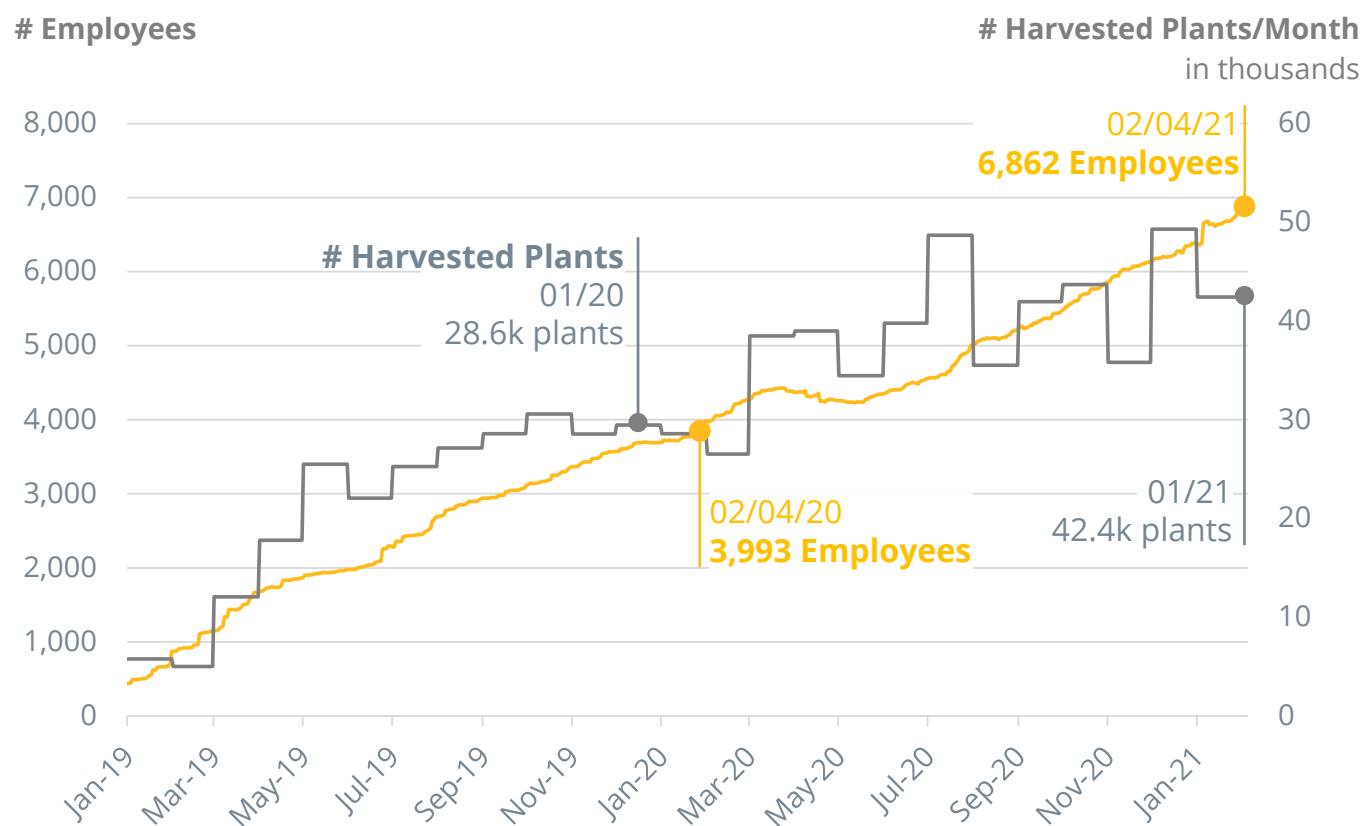


- With a past year use rate of 20.9%, Massachusetts is only #11-#12 among all U.S. states
- There is still substantial room for growth when compared to #1 Oregon (28.6%) and #2 Colorado (27.8%)

Operational metrics show that the Mass. adult-use industry's momentum remain unscathed, as harvested plan hit new record in December

Employees & Monthly Harvests

Comments

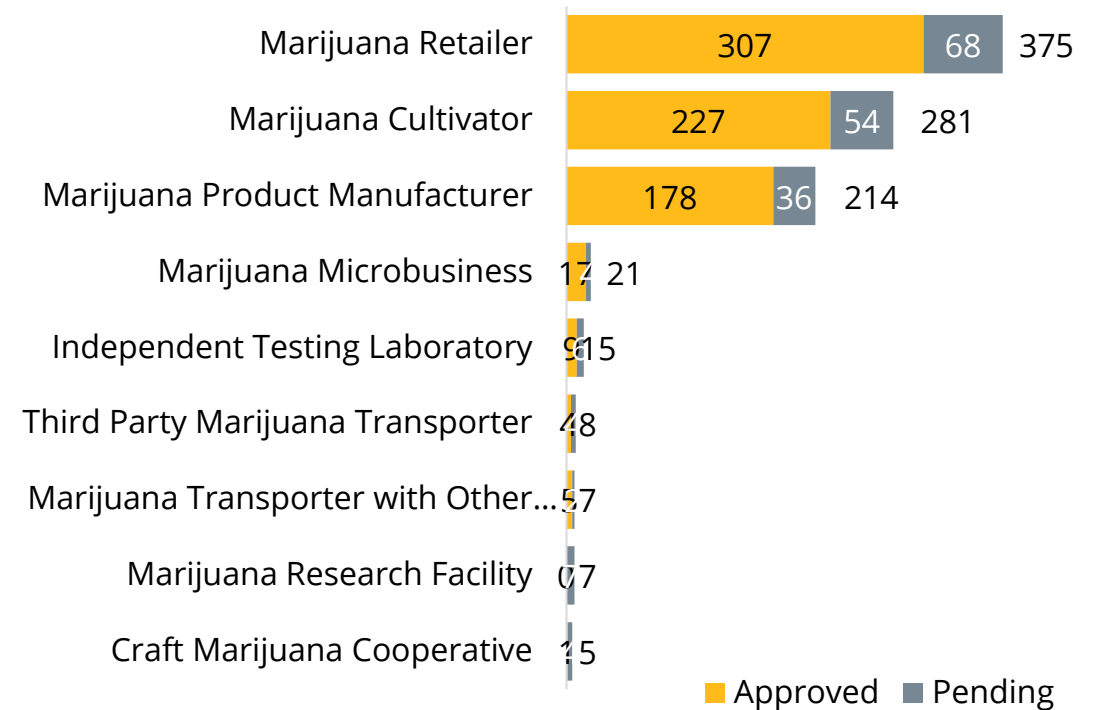
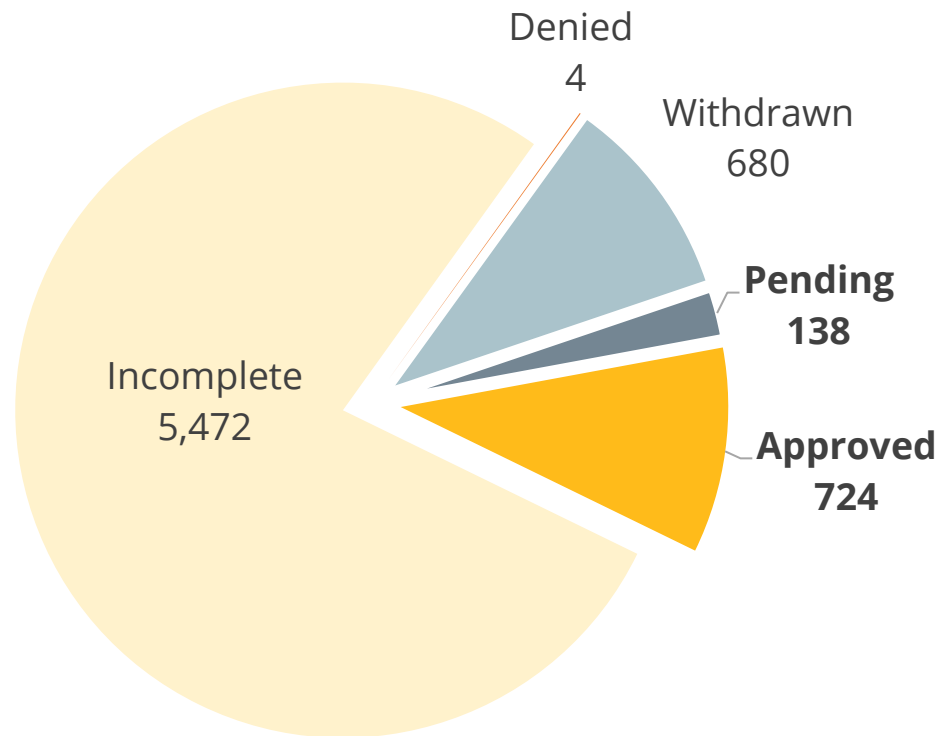


- As more stores open across the Commonwealth, the number of employees in the Massachusetts industry continue to grow steadily.
- The number of employees has jumped by 72% year-on-year, approaching 7,000 as of December.
- Monthly harvests hit a new all-time high in December 2020 with 49.3k plants, beating July 2020 record.
- In January 2021, operators harvested 42k plants, a 48% increase from a year earlier
- We expect the 50k-plant threshold to be broken within the next 3 months as new cultivation capacity comes live

Licensing is moving forward: another 9 retailer, 7 cultivator, and 8 product manufacturer licenses were approved since Dec. 7

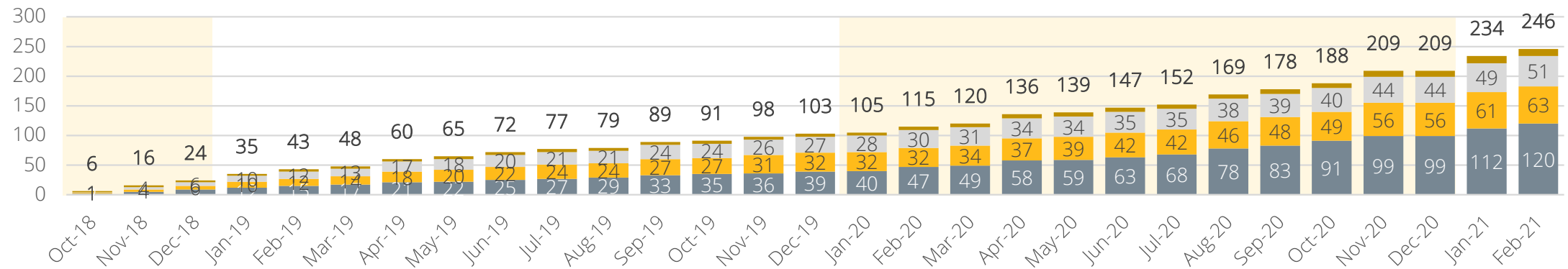
Total Applications: 7,570

Number of Applications by Category and Status

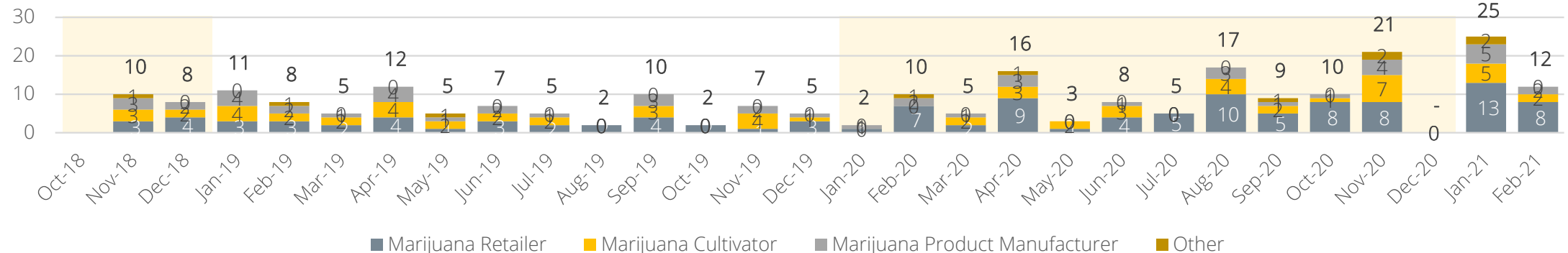


The number of final licenses has more than doubled over the past year to 246 and a record 25 final licenses were granted in January

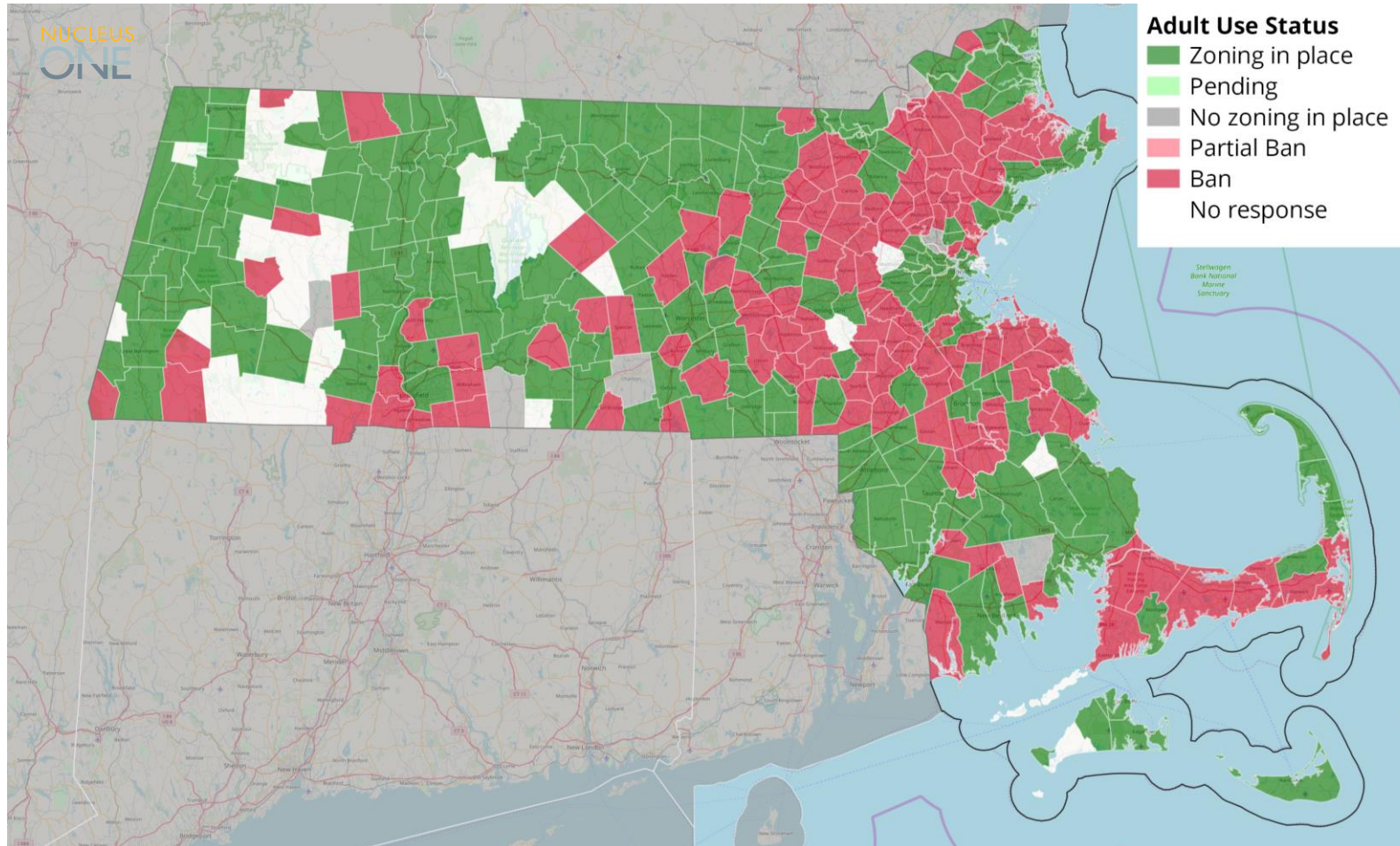
Cumulated Final Licenses by Month and License Type



Additional Cumulated Final Licenses by Month and License Type

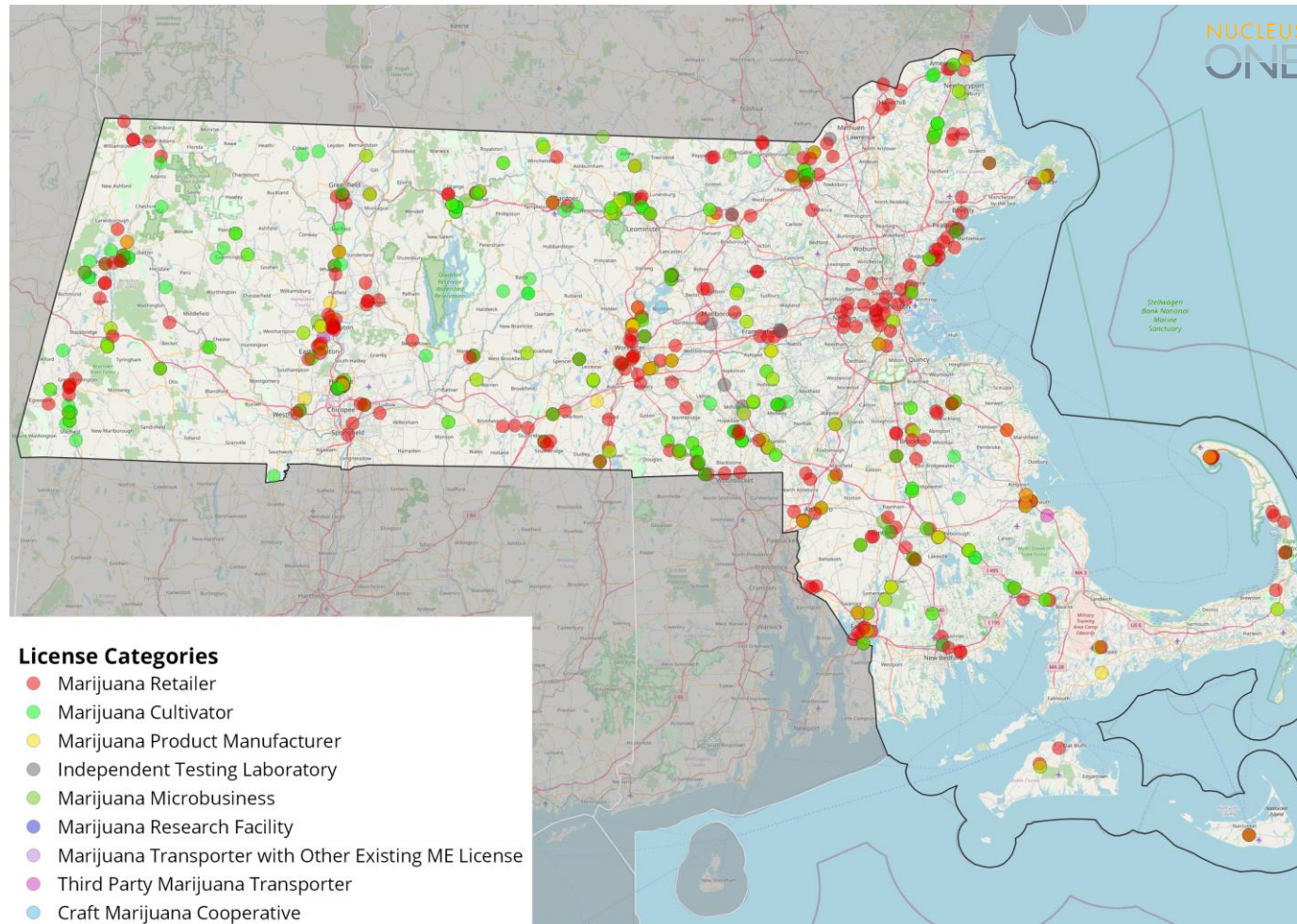


As of December 8, 190 municipalities are already or are in the process of being zoned for adult use marijuana retail

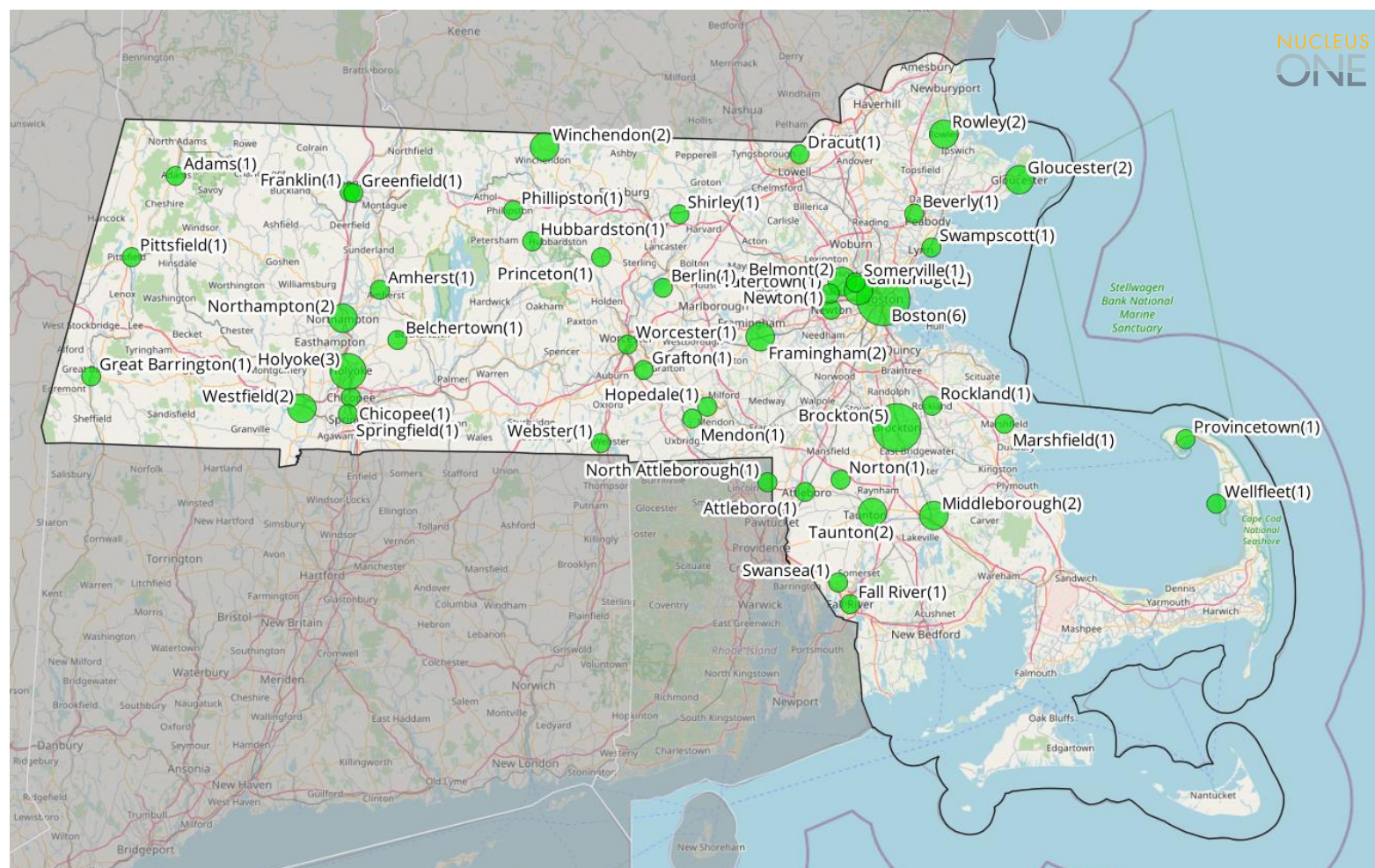


- The CCC has recently published and updated a municipal zoning tracker providing more clarity into the status of adult use marijuana by town/city.
- Nucleus One has summarized the data to provide a simple view at the municipal level.
- Note: this classification does not capture the full complexity and specificity of local regulations and ordinances.
- Adult-use marijuana is still banned or partially banned in 120+ communities.

724 licenses have been approved across the Commonwealth



52 retailer applications pending across Massachusetts



The Boston area now has a significant number of pending retailer licenses

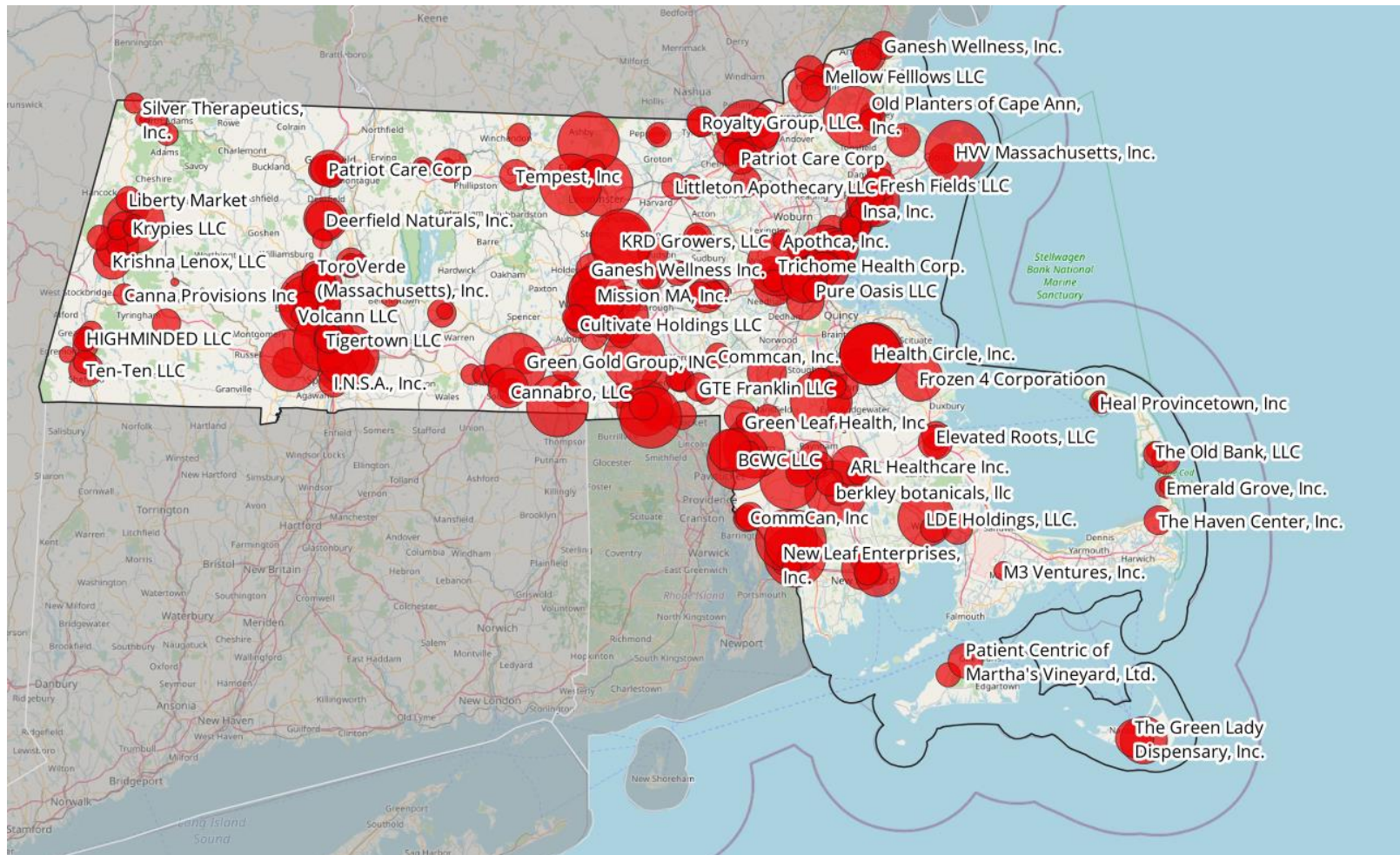
Towns with the most pending retail applications:

- Boston: 6
- Brockton: 5



Pending Applications

389 retail licenses provisionally approved as of December 7, 2020

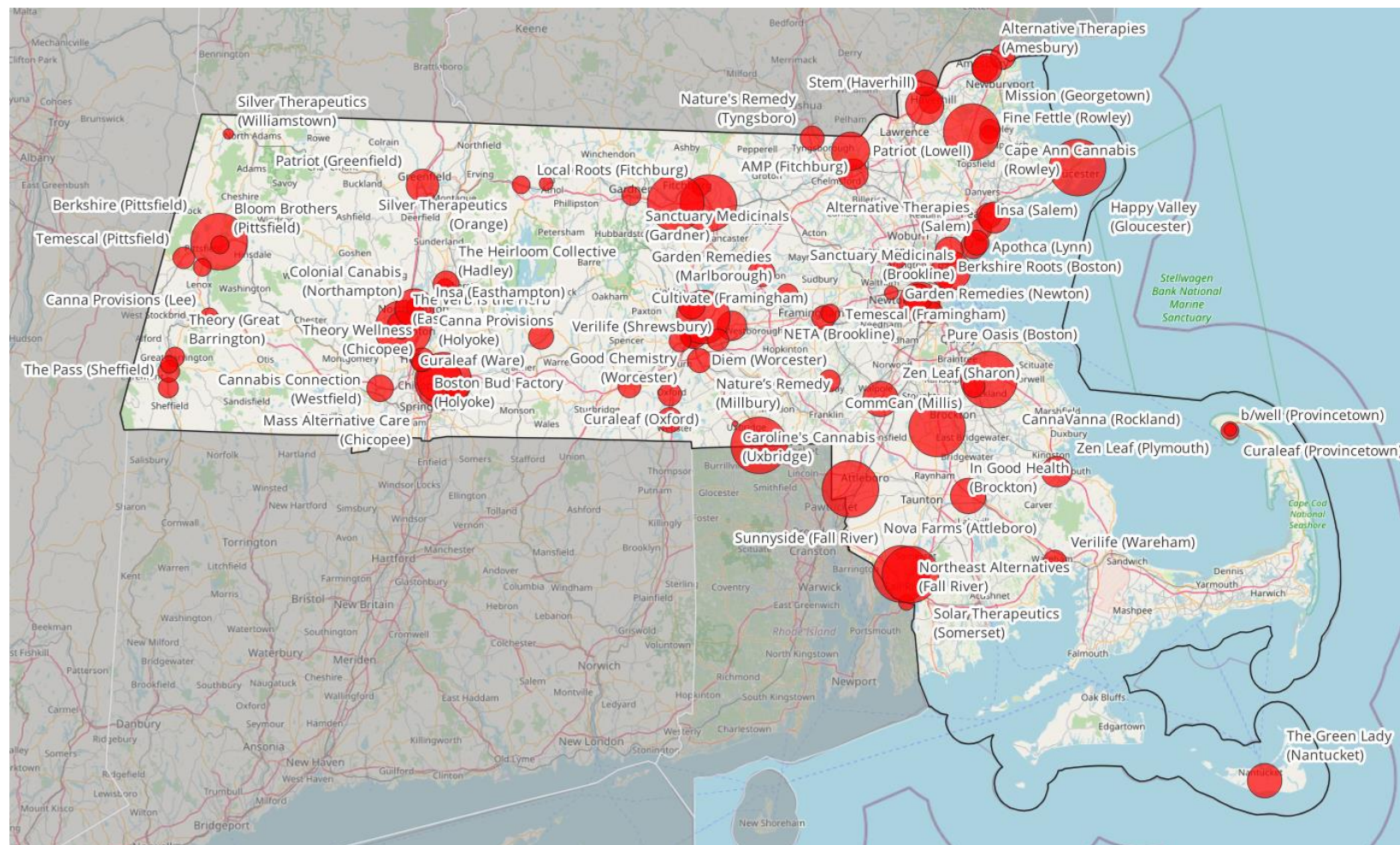


- The provided establishment size includes cultivation and manufacturing square footage in some cases



Establishment
Size

98 adult use retail stores operate as of February 23, 2021



Establishment
Size

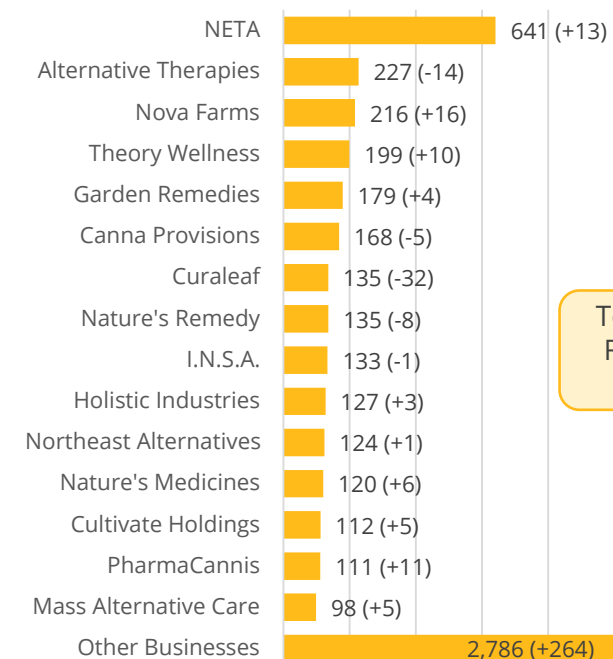
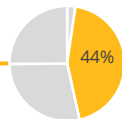
The Commonwealth added another 571 active agents, most of them among smaller operators; large operators strengthened their manufacturing

Active Agent Registrations* by Licensed Type and Business

Total = 12,398 vs. 11,827 (+571)
(inc. other license types)

Retailer

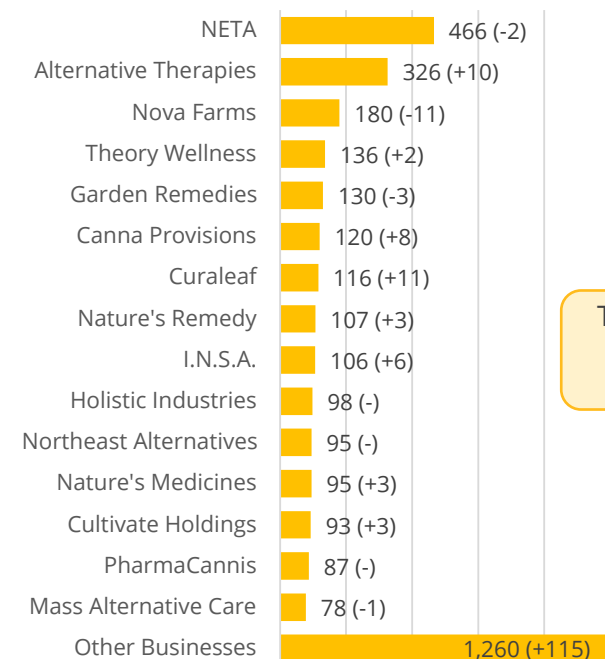
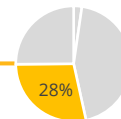
Total = 5,511 vs. 5,233 (+278) on 12/7/20



Top 15
Retail
+14

Cultivator

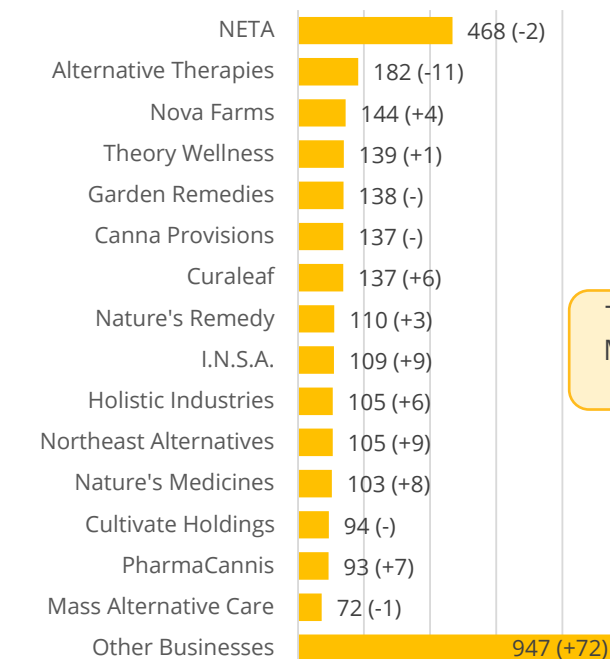
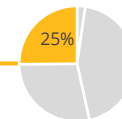
Total = 3,493 vs. 3,349 (+144)



Top 15
Cult.
+29

Product Manufacturer

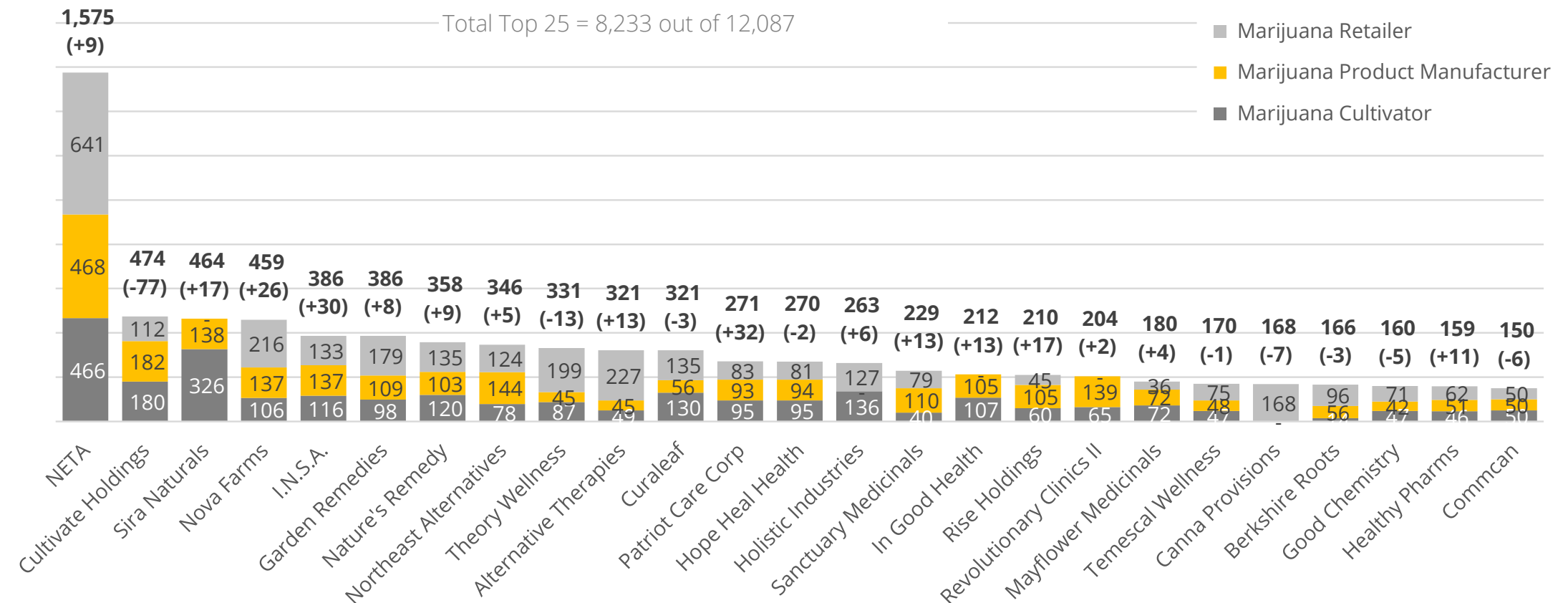
Total = 3,083 vs. 2,972 (+111)



Top 15
Manuf.
+39

All but 8 of the Top 25 operators increased their number of active agents compared to Dec. 7; Cultivate Holdings decreased by 77 agents or 14%

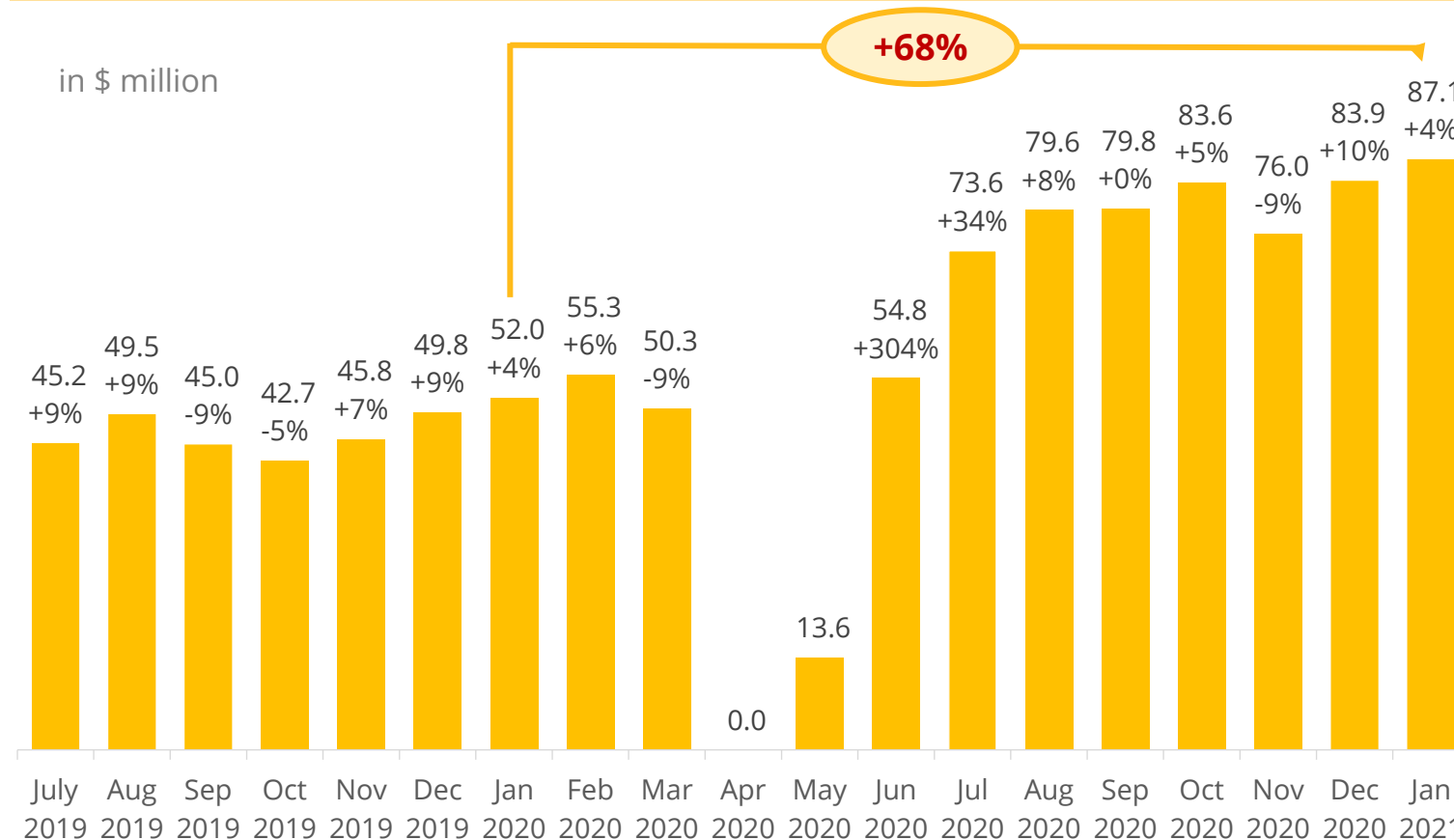
Top 25 Largest Licensed Businesses by License Type and # Active Agent Registrations



Retail sales reached an all-time high in January, beating the previous record of December 2020, and up 68% vs. January 2020

Monthly Adult Use Retail Sales in Massachusetts

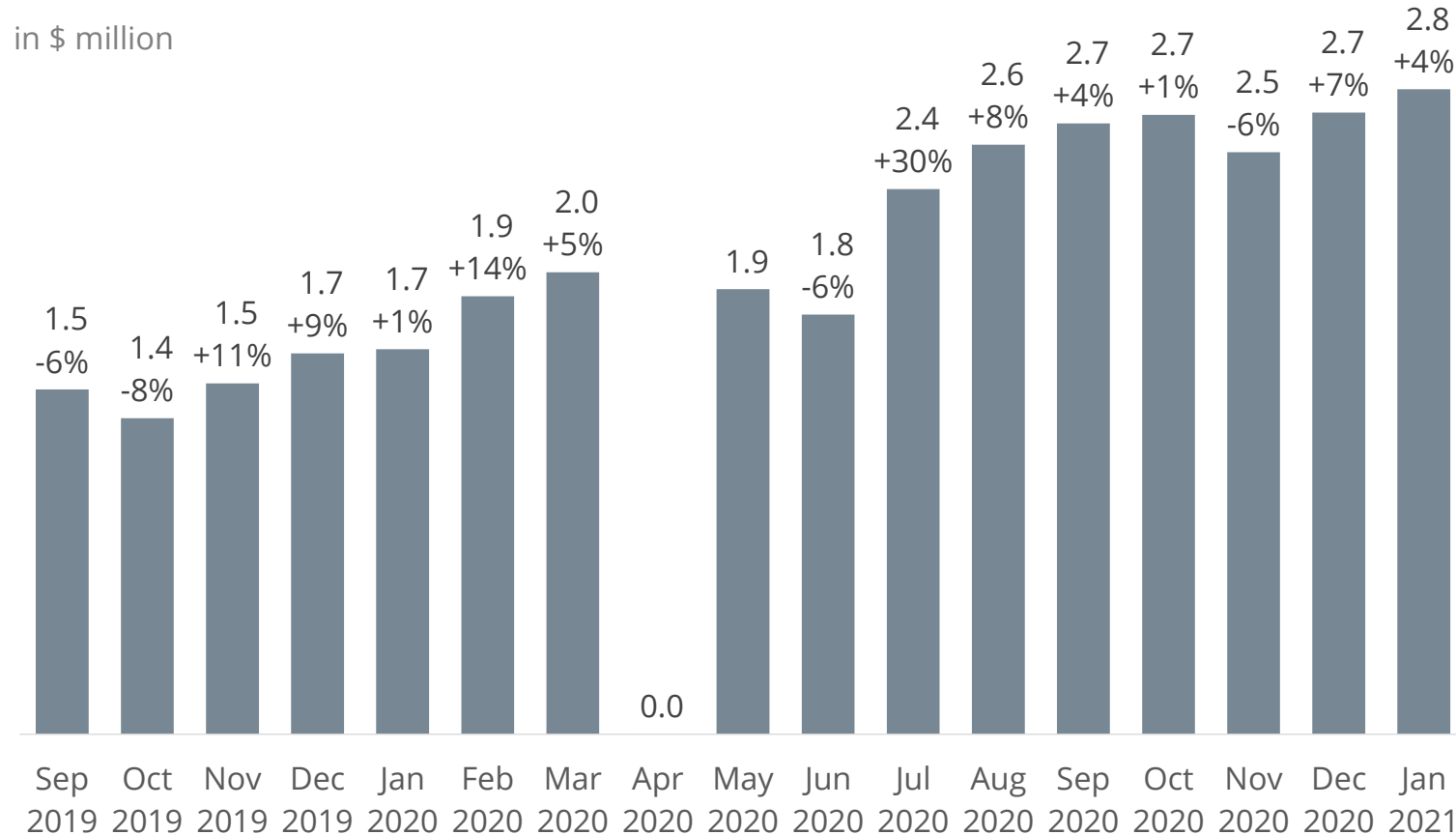
Comments



- Retail sales reached an all-time high in January with \$87.1 million beating the previous record of December 2020, and up 68% vs. January 2020
- After a dip in sales in November, sales have been growing fast with the holiday season
- However, the growth seems to be sustained and is expected to continue as demand and supply grow

Daily sales averaged \$2.8 million in January 2021: at this pace, the Massachusetts adult-use market is now \$1 billion on an annual basis

Daily Adult Use Retail Sales by Month

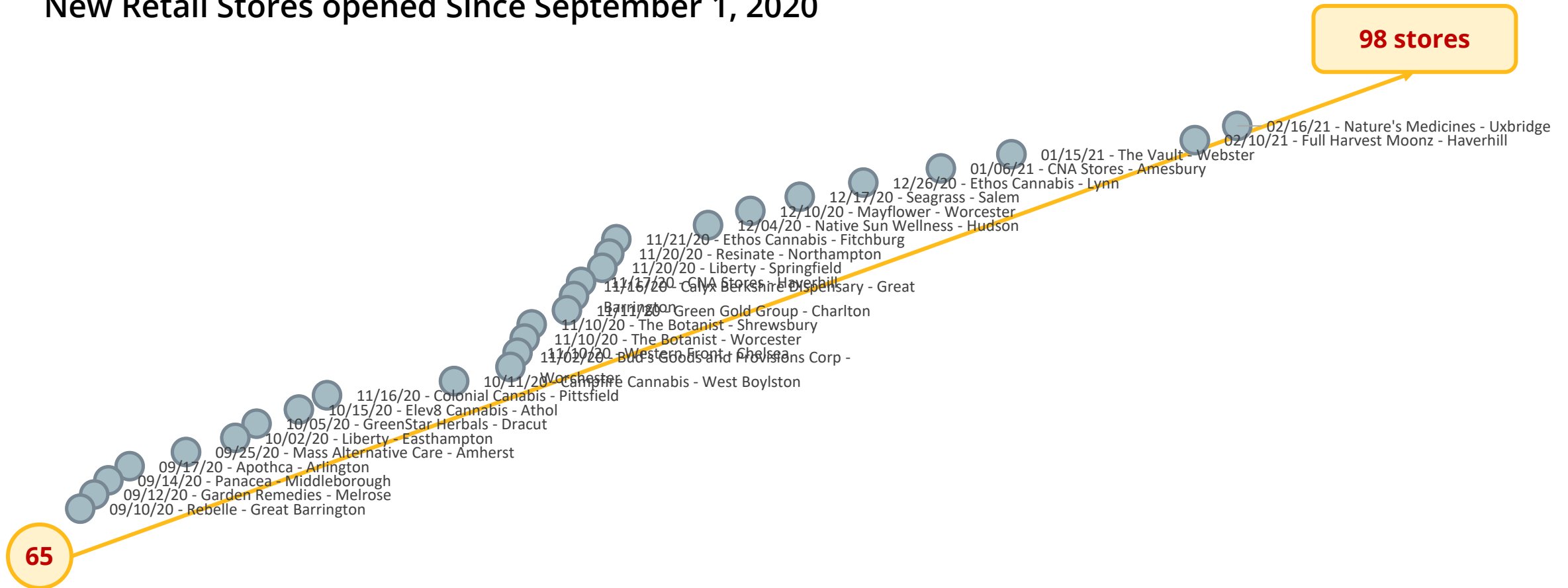


Comments

- Daily sales averaged \$2.8 million in January 2021, up 4% over December.
- In December, sales had already an all-time high of \$2.7 million, up 63% compared to year earlier
- This is hardly surprising when the number of stores jumped from 33 as of December 2019 to 94 a year later
- Based on January sales, the Massachusetts adult-use market is now \$1 billion on an annual basis

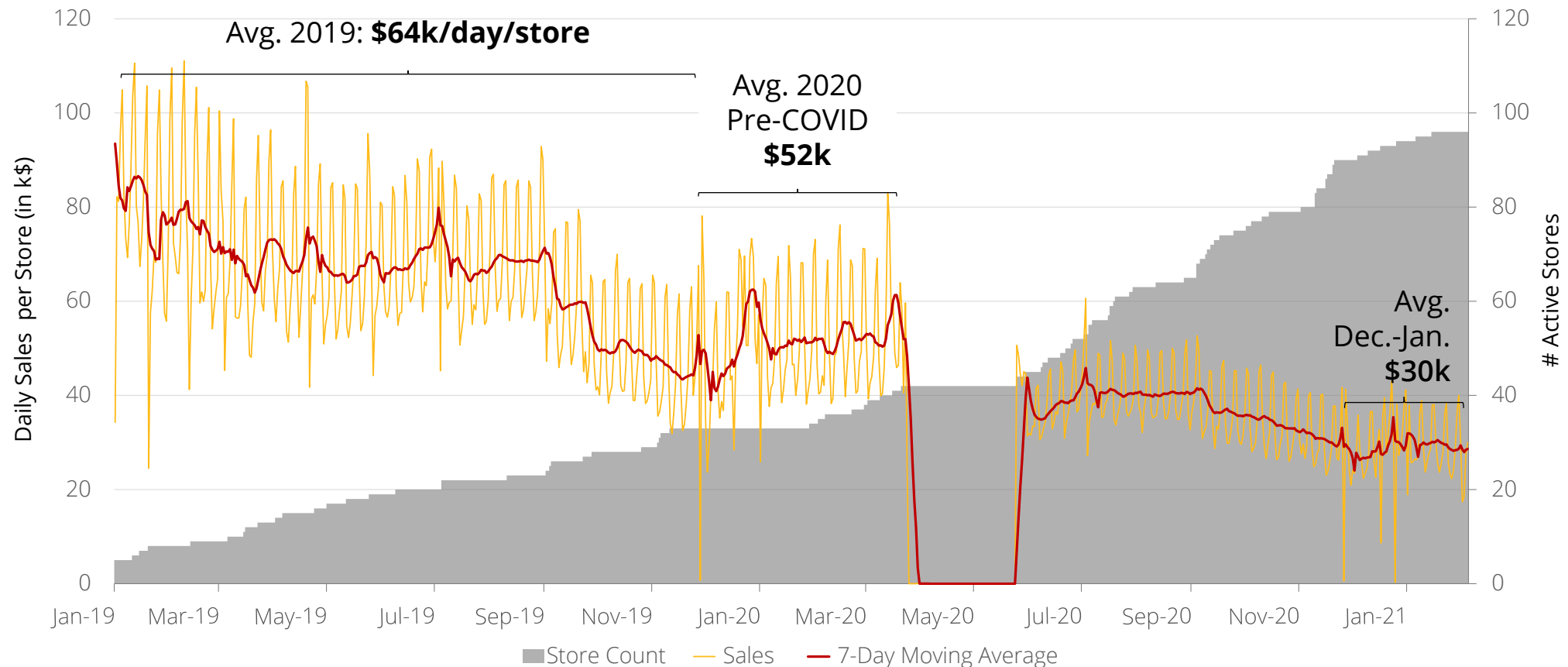
33 new adult use stores have opened since Sept. 1, 2020, fast approaching the 100-store milestone.

New Retail Stores opened Since September 1, 2020



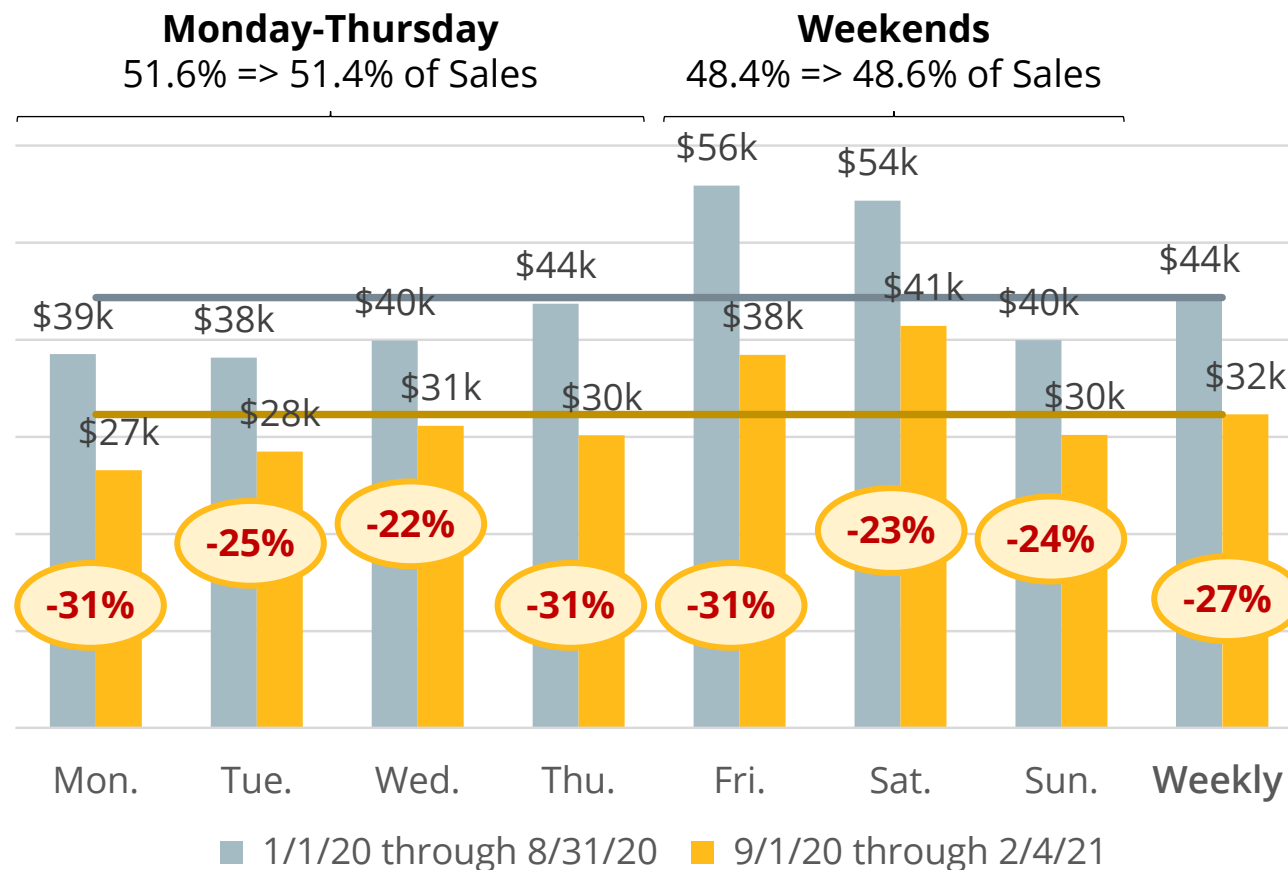
After sliding since September, daily store sales picked up with the holidays and remained stable around \$30k/day/store since then

Daily Sales per Store & Open Store Count



Thursdays and Fridays experienced the steepest declines in daily sales, highlighting an ongoing change in purchasing habits

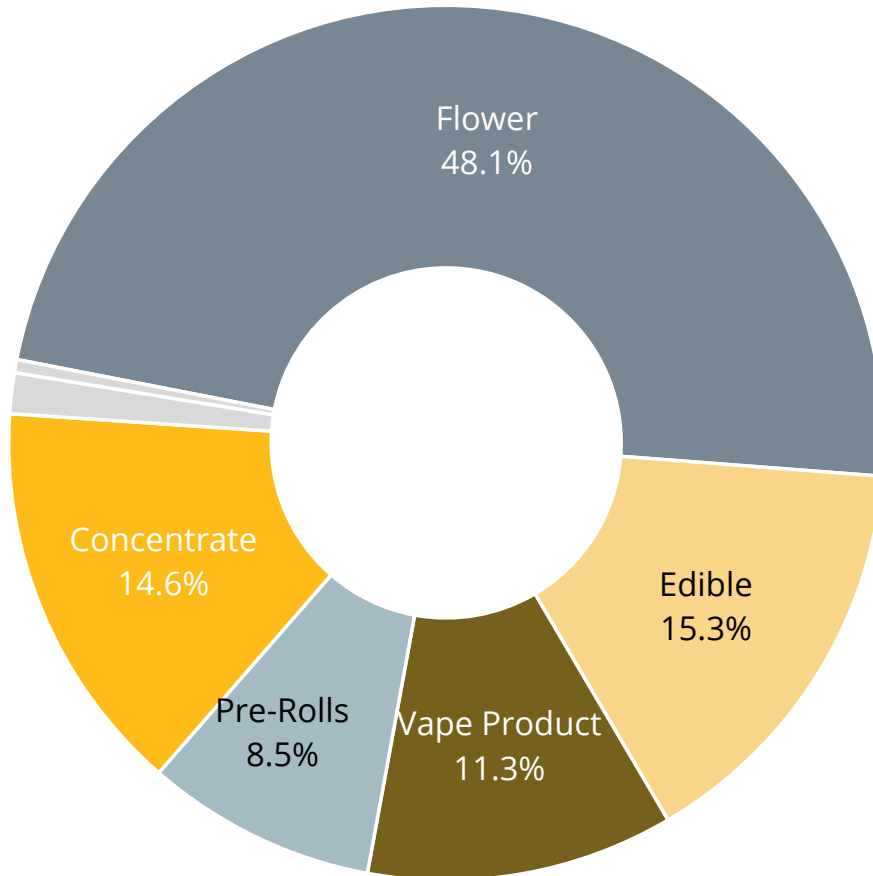
Average Store Sales per Weekday



Comments

- Average daily sales decreases by 27%, from an average \$44k over 1/1/20-8/31/20 to \$32k since September
- Saturday took over as the best-selling day of the week: Friday sales declined faster than Saturday sales as commuting behaviors were disrupted.

Since its inception, more than 1.26B of cannabis products were sold through the adult-use market, including 600M of flower

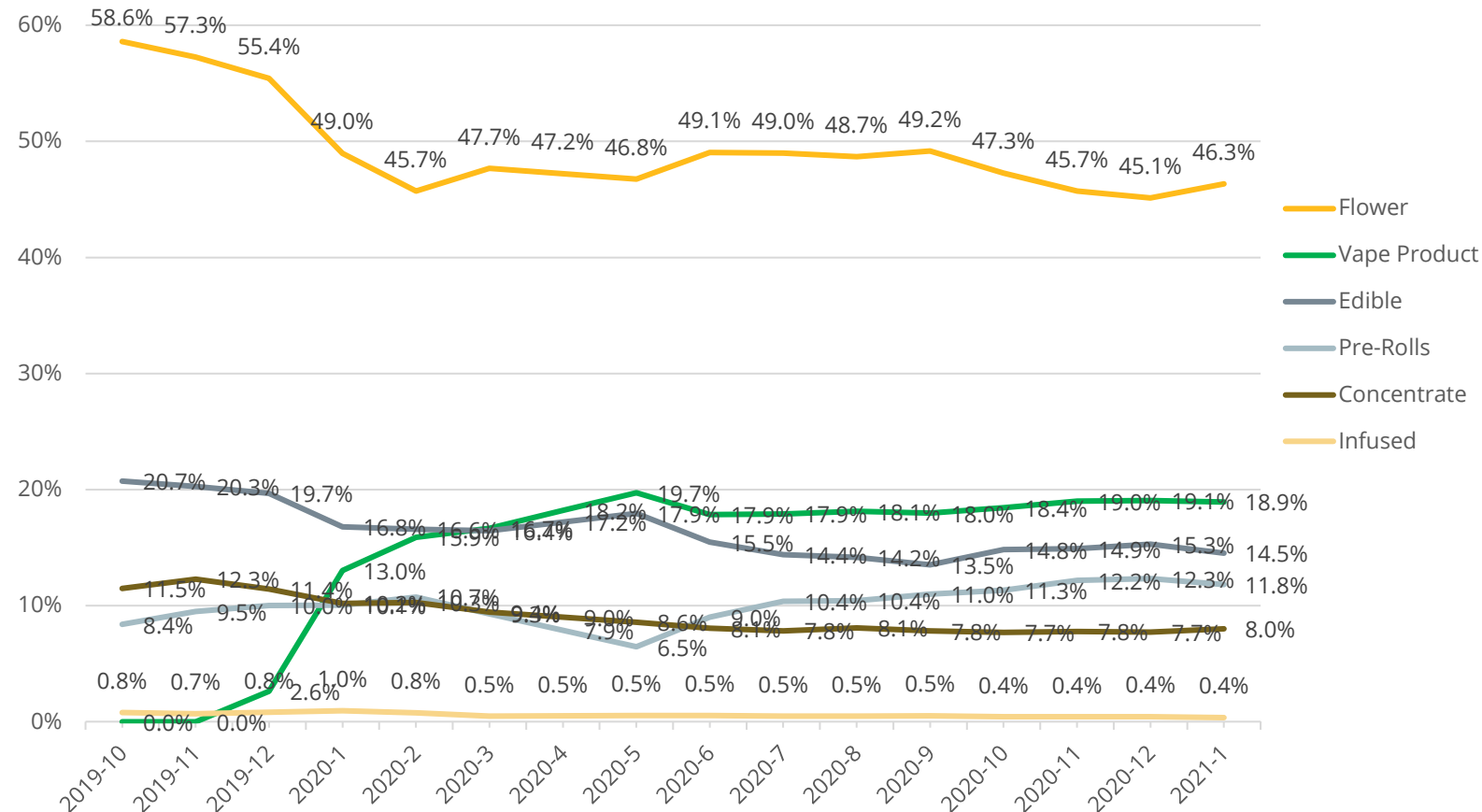


Cumulated Sales between 11/05/18 and 02/04/21

Product Category	\$ Sales	% Sales
Flower	606,128,009	48.1%
Edible	192,836,675	15.3%
Vape Product	142,810,909	11.3%
Pre-Rolls	107,273,318	8.5%
Concentrate	184,508,166	14.6%
Infused	18,955,496	1.5%
Shake/Trim	6,065,437	0.5%
Other	1,516,819	0.1%
Grand Total	1,260,094,829	100.0%

Share of flower dips slightly as vape products, edibles, pre-rolls, and concentrates see modest increases

Product Mix Development by Month



Comments

- In December 2020, the share of flower sales fell to an all-time low of 45.1% confirming the growth of other product categories as the market matures,
- Holiday purchases focused much more on non-flower products this year: 53.7% vs. 44.6% in 2019
- Specifically, pre-rolls hit an all-time high of 12.3% of retail sales in December 2020
- Vape products and concentrates have remained remarkably stable over the last nine months

LET US HELP YOU GROW.

From our offices in Portland, Boston, and San Francisco, we help clients nationwide navigate the complex and evolving challenges of starting and operating a cannabis business.

Our management team includes seasoned business leaders with experience within and outside of the cannabis industry. Together, we provide the knowledge and resources you need to reach your business goals and stay in compliance with state laws.

Whether you're just getting started and need help with your application, SOP documents, financial modeling, etc., or you're looking to elevate the efficiency of your existing business with the help of an outsourced professional who knows the industry, we're here to help.



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