



VANGST

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flowhub

THE STATE OF THE CANNABIS INDUSTRY 2020

Cannabis, COVID-19, and Beyond

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INTRODUCTION - AN UNPRECEDENTED TIME

In January of 2020, just as the new year was underway, an unknown illness went from news to crisis nearly overnight in China. It then rapidly traveled the world, leaving huge case numbers, and eventually deaths, in its wake. The new coronavirus, or COVID-19, was unlike anything health professionals had experienced, and it has fundamentally changed everyday life as we know it.

Since early March, when the U.S. first declared a state of emergency, no industry has been untouched by the pandemic, including cannabis. Businesses have had to respond quickly and intelligently to shut-downs, new operating restrictions, and economic volatility. Cannabis, a relatively new industry, was deemed an “essential business” in most legal states, meaning dispensaries could stay open and keep serving their communities, and brands could keep supplying retailers with their products. Considering that cannabis is still federally illegal, this status was a pivotal moment for the industry, and the new designation had rippling effects across businesses of all kinds.

Even with this recent legitimization, 2020 has not been easy. Rapidly changing laws, social distancing requirements, and remote workflows have brought new challenges overnight. But cannabis businesses are resilient — a trait that has been characteristic of the industry since the beginning.

As the pandemic endures and cases continue to rise, the question on everyone’s mind is: how has the cannabis industry been impacted thus far, and what does the future hold?

In this report, LeafLink, Flowhub, and Vangst come together to talk about how COVID-19 has impacted cannabis. Each of these industry leaders will lend expertise from a different viewpoint — LeafLink from the wholesale perspective, Flowhub from the dispensary sales perspective, and Vangst from an employment perspective. Together, they will provide a deeper look at the state of the cannabis industry, and what is expected for the rest of 2020 and beyond.



Vangst is the premier talent resource for the cannabis industry. Vangst has helped more than 700 companies and thousands of candidates succeed with the industry’s best network of talent, jobs, expertise and tools.



LeafLink, the cannabis industry’s wholesale marketplace, connects over 1,500 brands and 5,100 retailers to streamline their operations and facilitate \$2.8B+ in annual orders.



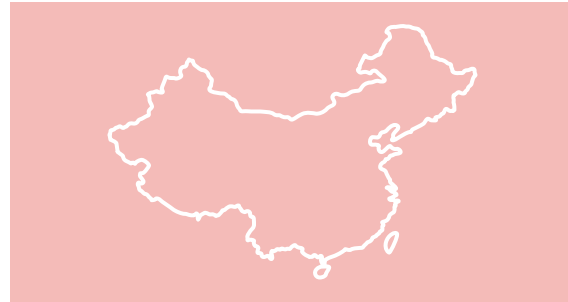
Flowhub, a retail management software for cannabis businesses, processes over \$3B sales annually for 1,000+ dispensary locations across the country.



KEY DATES

PRE-COVID

Feb 1 - March 15



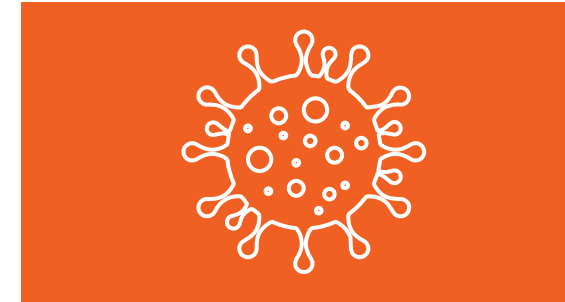
JAN 11

First death is reported in China



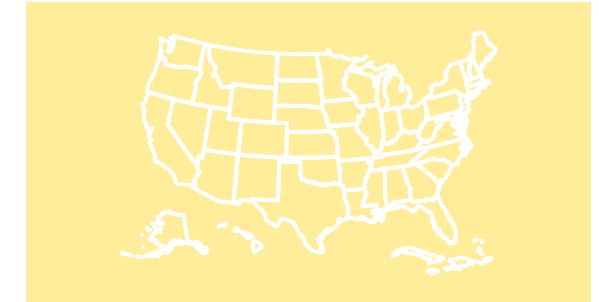
JAN 30

WHO declares global health emergency



FEB 11

The mysterious disease is named COVID-19



FEB 29

The U.S. announces first death

COVID RESPONSE

March 16 - April 24



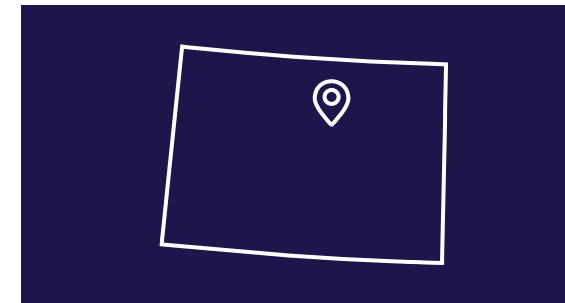
MAR 13

The U.S. declares a national emergency and states start responding



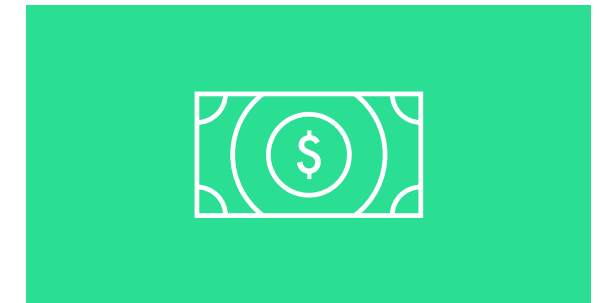
MAR 20

As shelter-in-place becomes the norm, some states deem cannabis essential



MAR 23

Denver momentarily plans to close recreational dispensaries

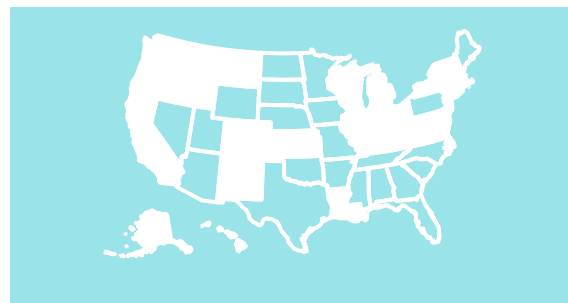


MAR 27

U.S. Congress signs stimulus bill

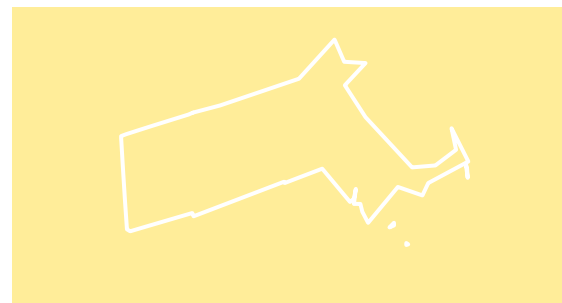
COVID REALITY

April 25 - June 1



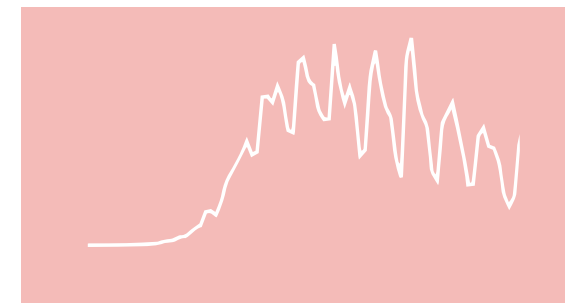
MAR 30

More states issue stay-at-home orders



MAY 25

Massachusetts re-opens recreational cannabis for curbside pickup



MAY 27

U.S. deaths top 100,000



JUN 28

Global death toll tops 500,000



THE INITIAL IMPACT

By mid-March, the U.S. had declared a state of emergency and individual states started rolling out stay-at-home orders and new social distancing guidelines. This time period is marked by extreme volatility and uncertainty as retailers and consumers stocked up, businesses switched to remote work models, and the industry faced regulatory and economic changes.

CONSUMER PURCHASING SPIKED, DROPPED, THEN STARTED TO STABILIZE

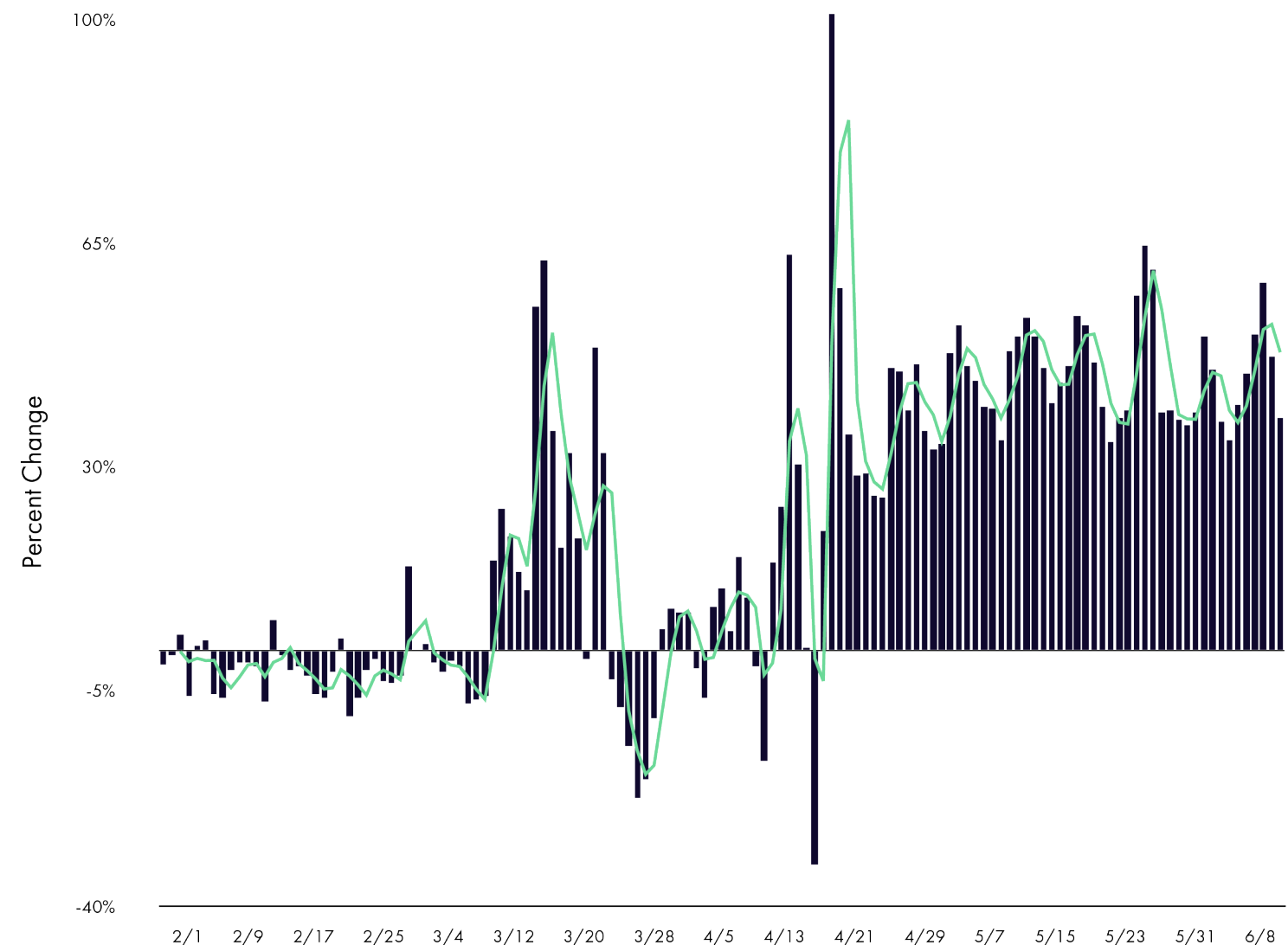
Dispensaries saw tangible changes to sales throughout the first half of 2020. This chart from Flowhub shows an overview of nationwide retail cannabis sales from February 1, 2020 through June 12, 2020, as a percentage of change compared to 2019.

This chart shows a small decline throughout February, as compared to 2019. In mid-March, there was a two-week spike around the time the U.S. started to react to COVID-19 with stay-at-home orders and toilet paper shortages.

Following that panic spike, there was a decline as most states began sheltering in place. This was also when most states deemed dispensaries essential; it's possible consumers weren't worried about product accessibility and didn't feel the need to stock up like they did in the prior weeks.

What followed was a recovery period with more spikes leading up to 4/20. Since 4/20, sales have stabilized, but at volumes significantly higher than (averaging 40%) 2019.

NATIONWIDE CANNABIS SALES | FEB 1ST - JUN 12, 2020 VS 2019*



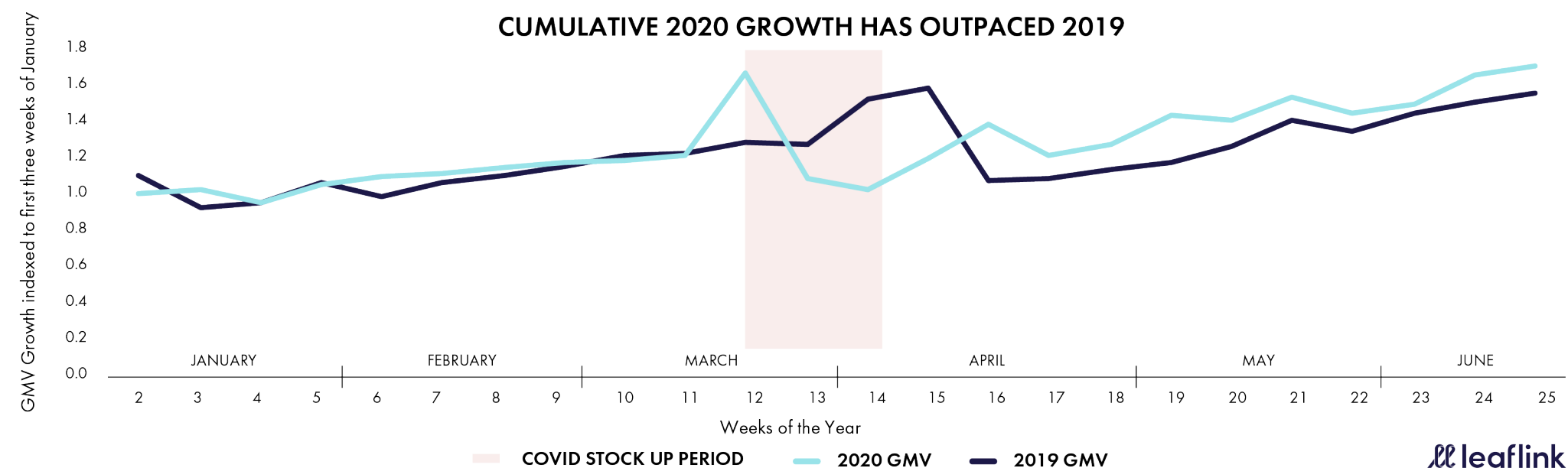
*To account for seasonality, the percentage change displayed aligns to the 2019 weekday.
Example: The first Sunday of March in 2020 is compared to the first Sunday of March in 2019.

WHOLESALE ORDERING SPIKED AS RETAILERS ANTICIPATED CONSUMER DEMAND

How has COVID impacted wholesale ordering? The pandemic generated some unique purchasing patterns and the broadest way to understand them is to analyze week-over-week growth in Gross Merchandise Value (GMV) or sales through LeafLink, as compared to a baseline (the average of the first three weeks of the year). While weekly GMV is three times greater in 2020 than it was in 2019, looking at the growth rates side by side is a good way to understand the impact of the pandemic.

During the first two months of 2020, industry growth was at pace with that of 2019. By the week of March 16th (Week 12), as many communities issued state of emergency declarations, retailers stocked up, causing a 36% spike in orders. Sales then dropped the following week as stay-at-home orders started going into effect. By the week of March 30th (Week 14), as cannabis was deemed essential in many key markets, the marketplace saw a turn for the better. This three week time period is marked on the graph below as the COVID Stock Up Period.

It was not until Week 16 (April 13th), the week leading up to 4/20, that sales began to stabilize. While this marked the point at which the industry's cumulative growth surpassed that of 2019, during the weeks leading up to 4/20, typically the busiest time of year in wholesale purchasing, sales did not match with the 2019's pre-holiday spike. Essentially, 4/20 came early this year thanks to COVID-19, and it was only after this point, as businesses adapted to new curbside pickup and delivery models, that things began to return to "normal".



GOVERNMENT ORDERS INFLUENCED PANIC BUYING

On Monday, March 23, the mayor of Denver announced that recreational dispensaries would close.

According to Flowhub, Denver cannabis sales were 140% higher on March 23rd than on an average Monday in 2020. Most activity occurred between 2 - 5 p.m., immediately after the mayor's announcement. The order was set to start at 5 p.m.

At 4 p.m., on this day, dispensaries experienced a huge spike in sales. Sales were 390% higher at this time compared to an average Monday in 2020 at 4 p.m.

The order was modified just hours later to allow recreational stores to stay open, but with a curbside-only mandate.

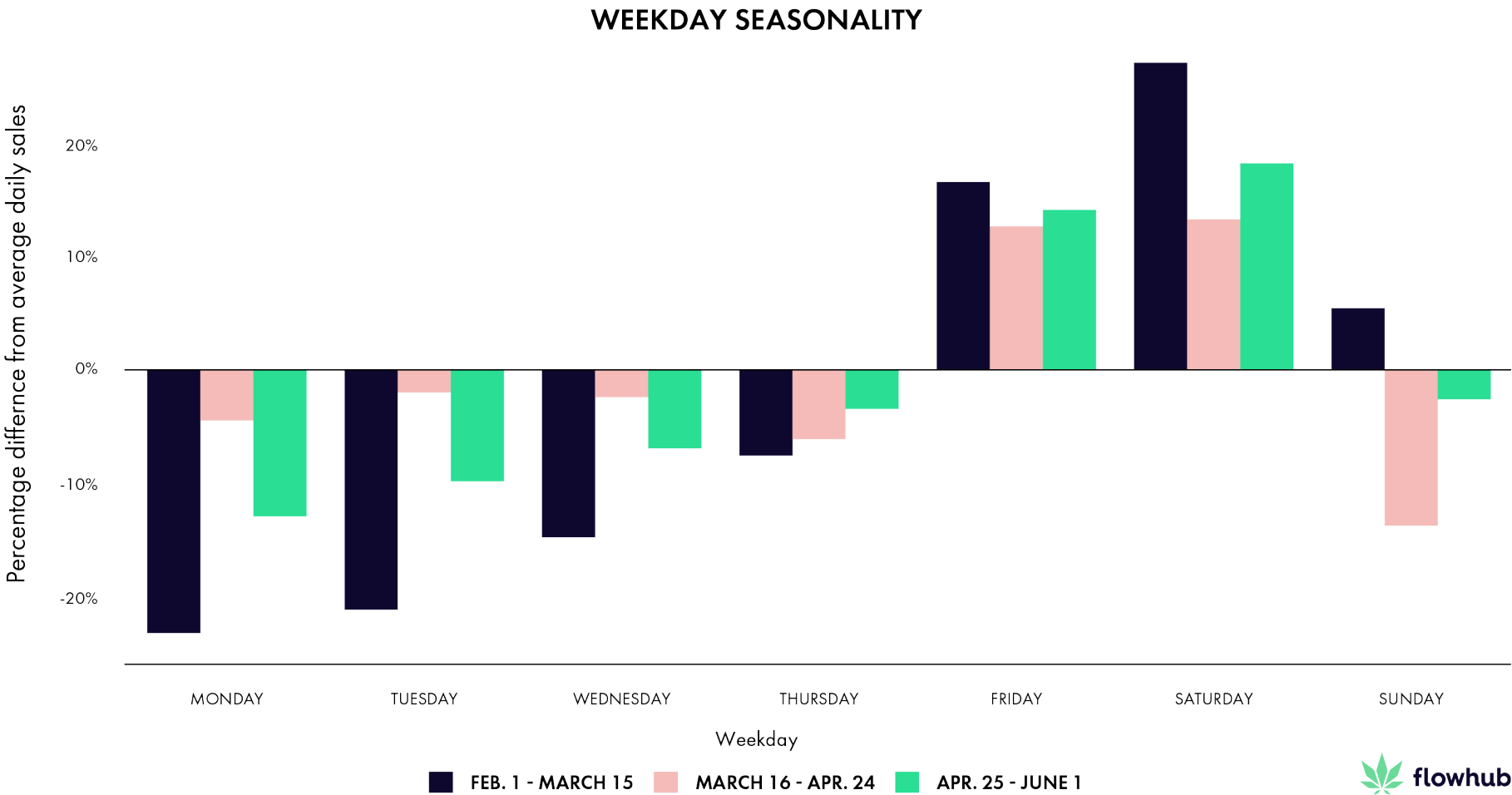


CANNABIS LIVED UP TO ITS “ESSENTIAL” DESIGNATION

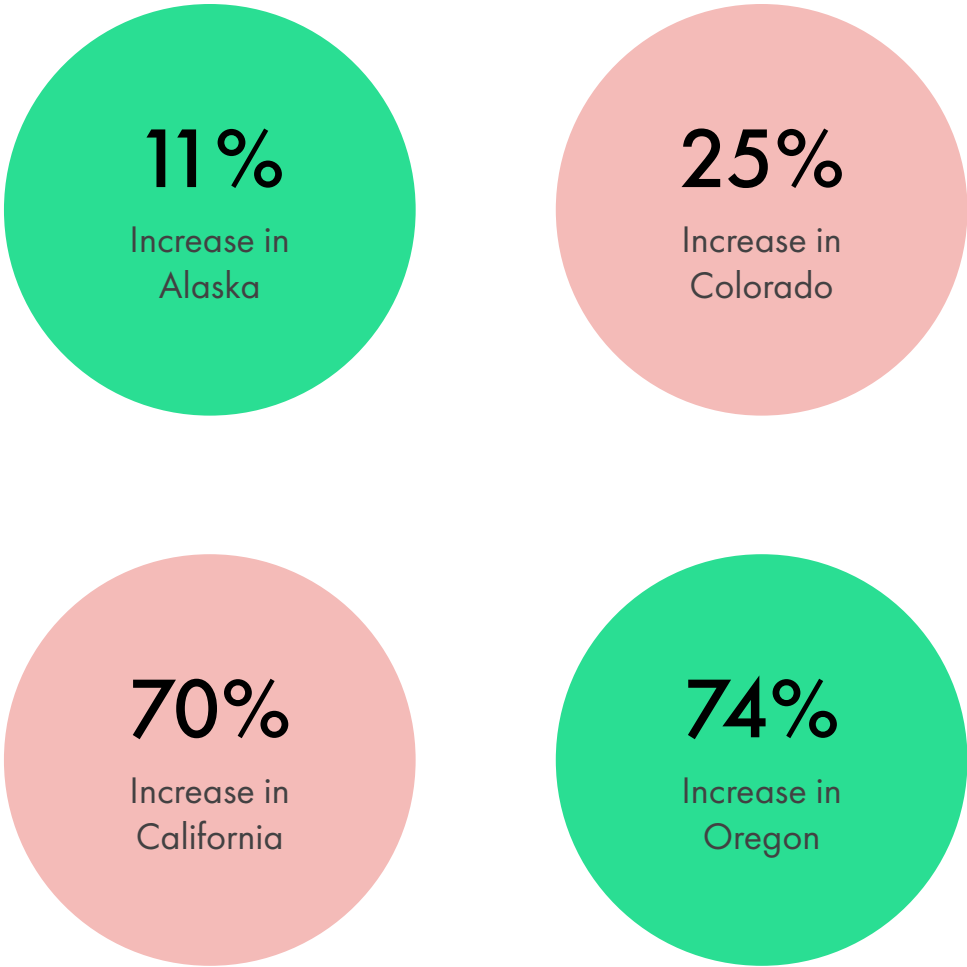
During the week of March 16th, as the first wave of government restrictions took hold, there was a clear indicator that cannabis is an essential product to many people. Overall recreational sales processed through Flowhub increased by 50% compared to the same week in 2019. Medical sales, however, only increased by 31% compared to the same week in 2019. This discrepancy was likely fueled by concern that recreational dispensaries could be shut down due to stay-at-home orders.

During this same time period, consumers changed when they visited dispensaries, and all weekday seasonality shifted. Before COVID-19, the difference between the best performing days of the week (Friday and Saturday) and the worst (Tuesday and Wednesday) averaged 50%. After the pandemic began, the difference was only 20%.

The chart below shows day-by-day seasonality throughout the start of the pandemic.



INCREASE IN RECREATIONAL SALES: MARCH 16 - MARCH 22 COMPARED TO 2019



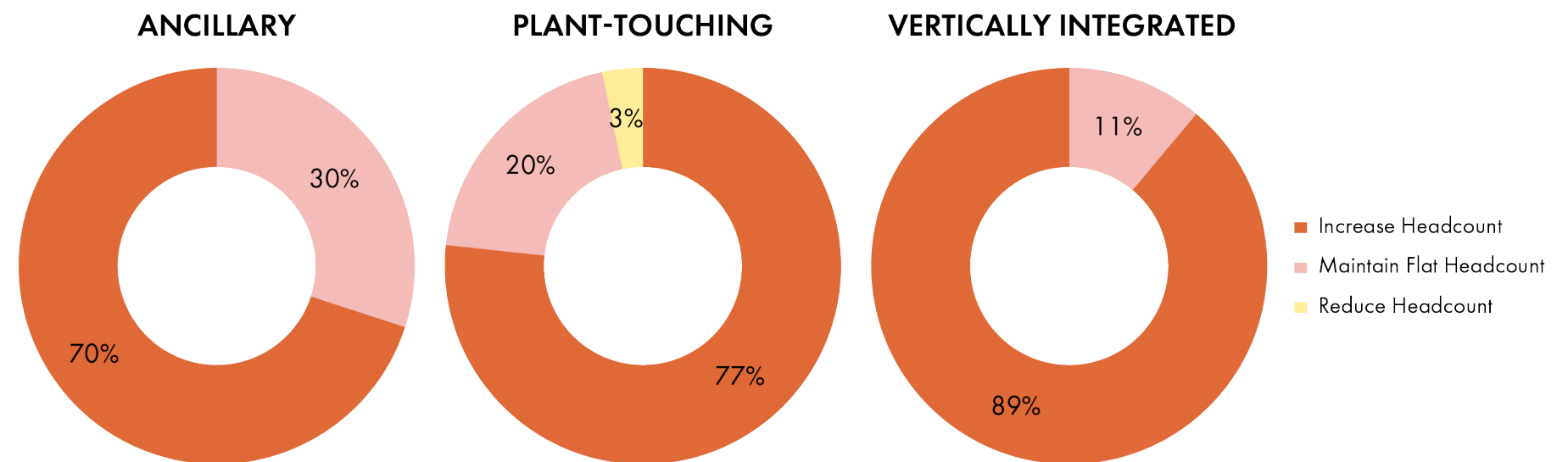
MARKET VOLATILITY IMPACTED HIRING PLANS

Across ancillary, plant-touching, and fully vertically integrated segments, the cannabis industry responded to the onset of COVID-19. In order to better understand these responses, Vangst surveyed 39 U.S. cannabis companies for more information on how team growth, hiring, remote work strategies, and revenue projections. According to Vangst, there was a remarkable inversion in hiring activity between initial 2020 hiring plans and team restructuring in response to COVID-19 between March 26th and April 24th.

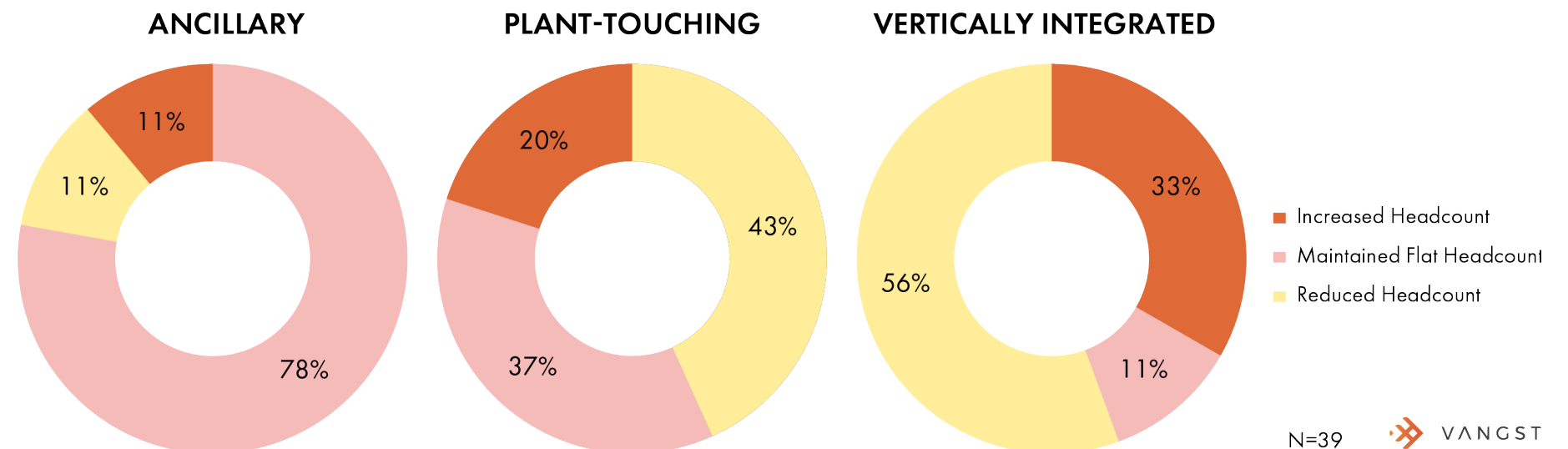
For the purposes of this report, Vangst identified survey respondents as either plant-touching (companies operating within cultivation, manufacturing, lab/extraction, retail or delivery sectors) or ancillary (non-plant-touching cannabis operations including staffing, data & analytics, payroll, business operations services, and technology).

Within the plant-touching respondent segment, where relevant, Vangst also reports on data for vertically integrated operations (companies operating across cultivation, manufacturing, lab/extraction and retail sectors) and retail-licensed sub-segments.

HIRING PLANS AT THE START OF 2020



IMMEDIATE COVID-19 RESPONSE IN RELATION TO HEADCOUNT



THE RECOVERY

The initial impact felt by the industry was large — but was it lasting? As illustrated by the graph **Cumulative 2020 Growth Has Outpaced 2019** (page 6), LeafLink's marketplace has seen sustained growth this year despite any volatility due to the pandemic. By May 18th, the volume of orders through LeafLink had increased by 54% since the start of the year, compared to a 41% increase in the same time period during 2019. However, the onset of COVID-19 fundamentally shifted both wholesale and consumer purchasing habits, as well as the workflows of many cannabis businesses.

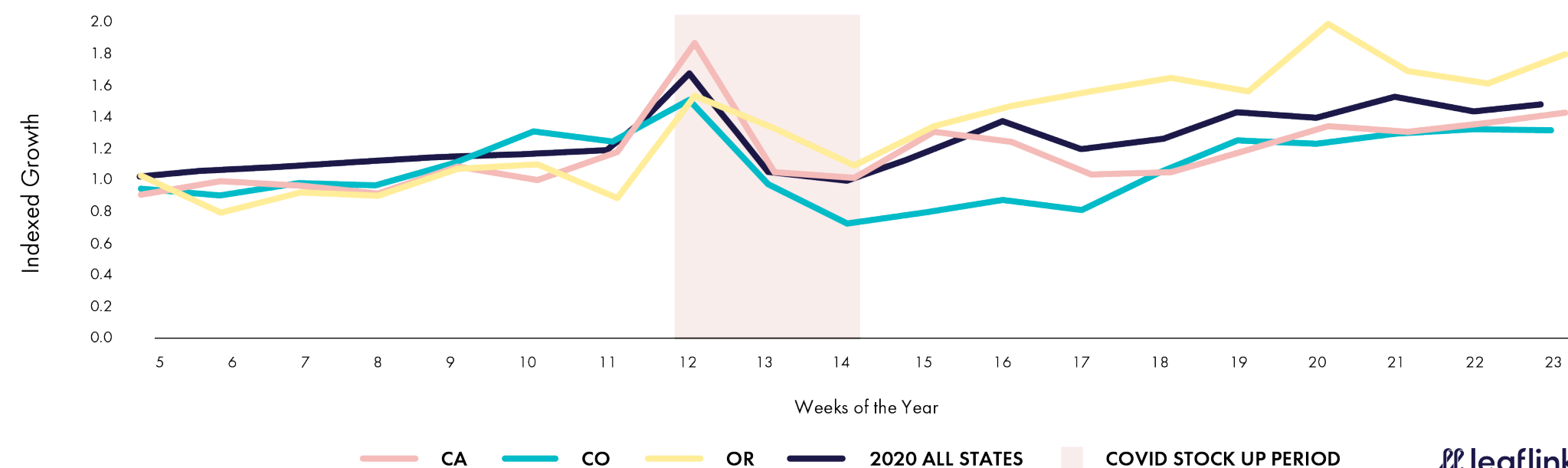
SOME STATES RECOVERED FASTER THAN OTHERS

In the graph below, we measured week-over-week sales growth in specific markets compared to average weekly sales during the first three weeks of January. As you will see, wholesale purchasing dipped dramatically in Colorado during starting around March 30th (Week 14) likely due to the fact that recreational dispensaries were limited to curbside pickup only.

In Oregon, however, wholesale purchasing recovered quickly thanks to the fact that they already had delivery retail models in place and declared cannabis essential early in the pandemic.

California, on the other hand, mirrored the national average in sales growth most closely. While this market declared cannabis essential early on, and already had some delivery options in place, the government's influence likely inhibited growth. For a more indepth analysis of how COVID-19 impacted wholesale cannabis in specific markets, check out [this report](#) powered by LeafLink Insights.

GOVERNMENT RESPONSE IMPACTED STATE PERFORMANCE



4/20 DIDN'T MEET EXPECTATIONS

With stay at home orders and rules against groups of more than 10 throughout most of the country, it's no surprise that 4/20 was different this year.

4/20 RETAIL OUTCOMES

Recreational Retail

- Recreational 4/20 sales were a flop. Average sales per dispensary location in 2020 came in \$2,700 below 2019 (-14%). Colorado did worse than the national average - 36% lower than last year.
- Oregon did slightly better than last year (+8%), and California was on par with 2019 (+2%).
- The weekend of March 13th performed 5% better than 4/20.

Medical Retail

- Medical cannabis dispensaries were less impacted by the crisis leading up to 4/20. Average sales per dispensary location were 5.5% higher in 2020 than they were in 2019, about \$300 more.
- Colorado Medical dispensaries fared especially well — they saw a 32% increase in 2020 compared to 2019.

4/20 WHOLESALE OUTCOMES

During the month leading up to 4/20, sales through LeafLink decreased by 9%, compared to the 19% month-over-month bump the marketplace saw in 2019. This is likely due to retailers stocking up in March in response to COVID-19. Average Order Value increased during this time period by 6% month-over-month, compared to a 15% increase during 2019.



ORDER AHEAD AND OTHER E-COMMERCE SOLUTIONS WERE THE KEY TO SUCCESS

Flowhub data shows that between March 16th and April 24th, dispensaries with order ahead capabilities sold 22% more on average than dispensaries without order ahead capabilities. They also saw 8% more transactions and a 13% increase in average order amounts.

The drop in sales on March 25th had a smaller impact on dispensary locations with order ahead capabilities. For example, between Friday, March 20th and Wednesday, March 25th, Colorado dispensaries with order ahead saw a 45% drop in sales, compared to the 56% drop in sales locations without order ahead, an 11% difference.

Dispensaries with order ahead capabilities continued to outperform, even as markets stabilized. For example, on Thursday, April 2nd, average daily recreational sales were 27% higher for dispensaries with order ahead in Colorado and 18% higher for dispensaries with order ahead in California.

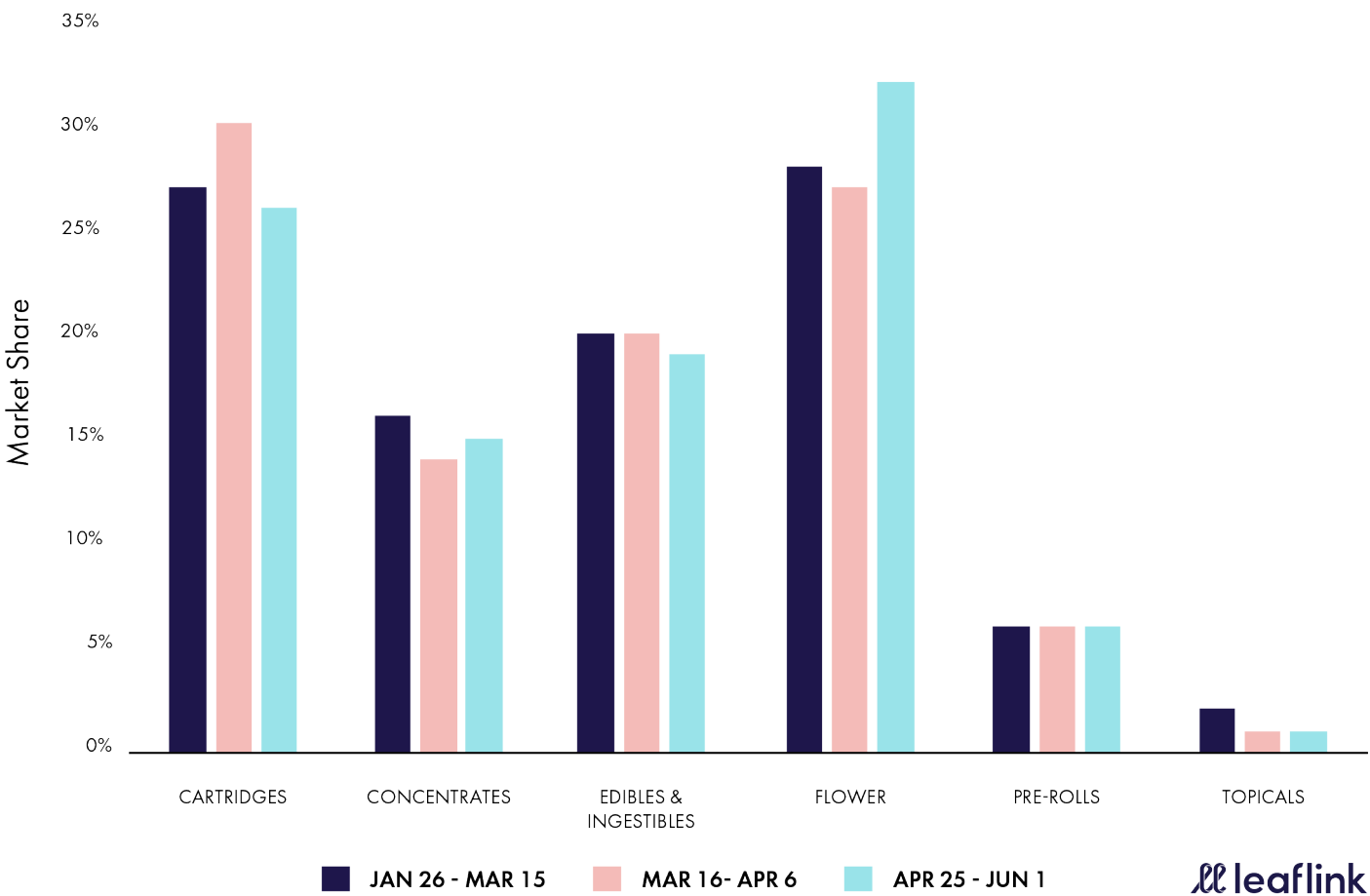
As highlighted in **A Retailer Deep Dive: Pivots Made in Response to COVID-19** on page 13, many retail businesses shifted their strategies during this time. Out of all retailers Vangst surveyed, 79% pivoted by introducing curbside pickup and delivery models in response to COVID-19. 64% (all but one retailer in delivery-legal states) pivoted to a delivery strategy, and 43% increased their focus on digital marketing and e-commerce strategies.

CONSUMER PRODUCT PREFERENCES REMAINED CONSISTENT

Throughout 2020, Flower has been gaining in popularity on LeafLink. During the Pre-COVID period, Flower made up 28% of all orders through LeafLink, compared to 21% during the same time period in 2019. While Cartridges were the most popular product amongst retailers as they stocked up in mid-March (making up 30% of LeafLink orders), Flower regained popularity later in the spring as purchasing stabilized.

From April 4th-June 1st, Flower products accounted for 32% of all orders through LeafLink, suggesting that retailers were doubling down on a product that had already been popular earlier in the year. Edibles & Ingestibles did not experience a COVID bump, but instead remained stable throughout the first six months of the year. These trends tell us that COVID-19 did not greatly influence purchasing behavior - despite expectations that a respiratory illness would lead to decreased demand for inhalables, Flower, and Cartridges, remained top choices.

INHALABLES REMAINED POPULAR DESPITE COVID-19



Flowhub had similar findings: consumers haven't changed their product preferences in 2020, but the pandemic did change how and when they buy.

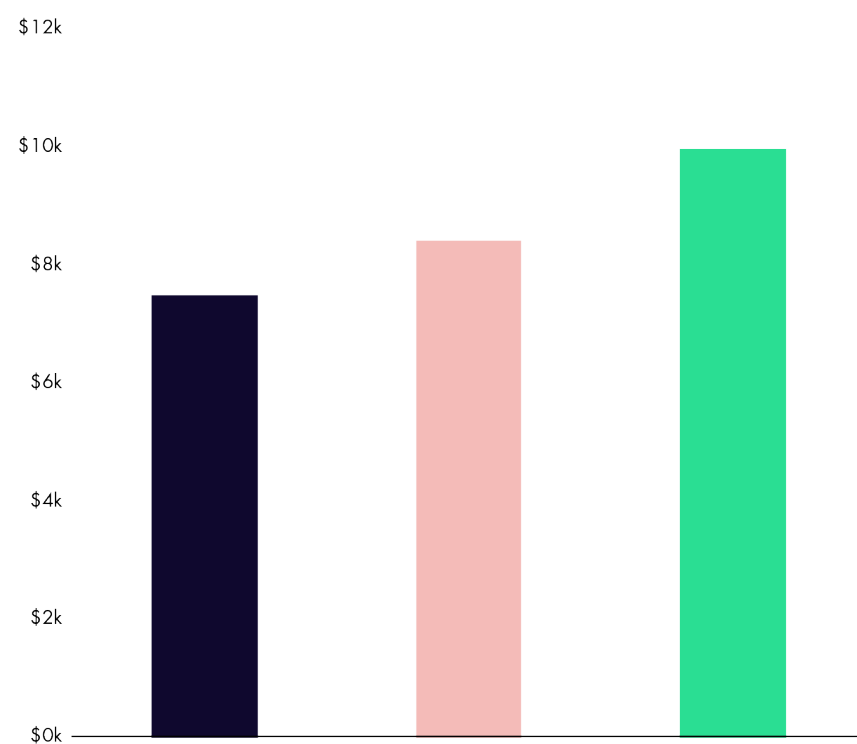
As a response to COVID-19, cannabis consumers are buying more overall, but generally shopping less frequently. Average daily total sales and average daily basket values have increased, but daily number of transactions dipped dramatically during the COVID Response period.

Overall, people stocked up more during every dispensary visit, and bought more at each transaction. The average overall basket size on Tuesday, March 17 for recreational dispensaries skyrocketed to \$69.37, with Colorado at \$73.13. For reference, the average recreational basket size on 4/20 2019 on was \$62.11 and the average Saturday (normally the busiest consumer purchasing day of the week) was between \$58-\$62.

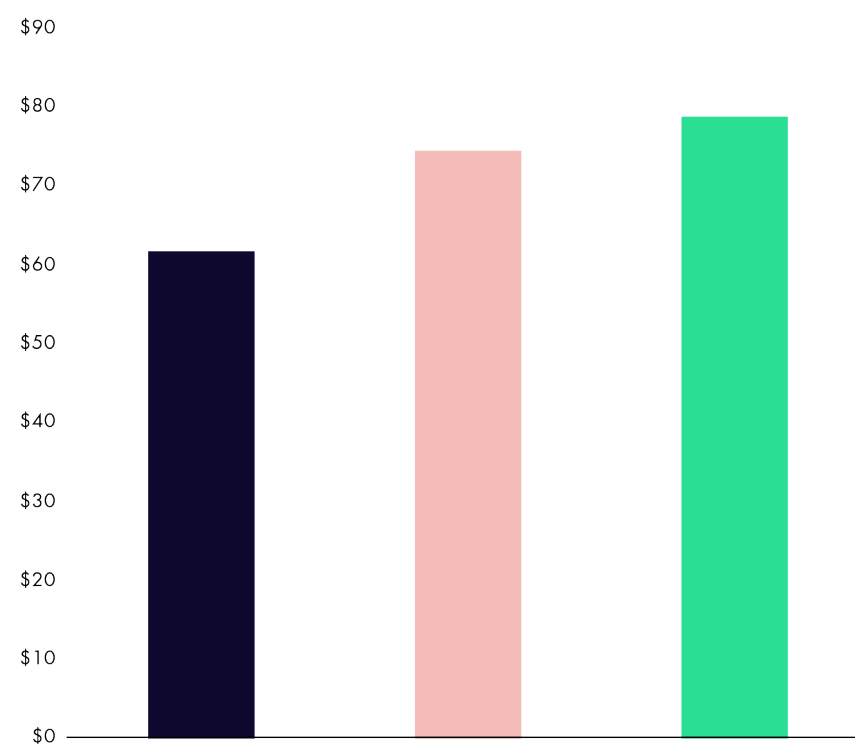
On March 25, average daily recreational sales went back down to an average 2020 pre-COVID Wednesday. The decrease was not because people were buying less, but because they were going to the store less often. The overall daily number of transactions decreased 19% compared to an average 2020 pre-COVID Wednesday.

This is confirmed by looking at the average order amount, which held strong at over \$62 across all states, 20% above an average 2020 pre-COVID Wednesday. All recreational markets followed the same trend of higher than average order amounts.

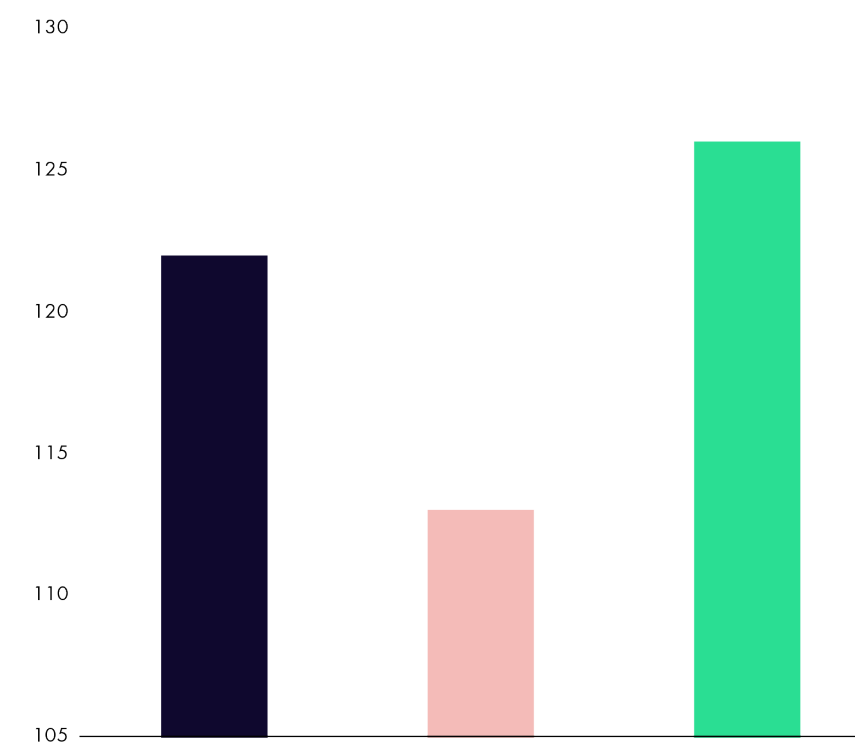
AVERAGE DAILY TOTAL SALES BY LOCATION



AVERAGE DAILY BASKET VALUE BY LOCATION



AVERAGE DAILY # OF TRANSACTIONS BY LOCATION

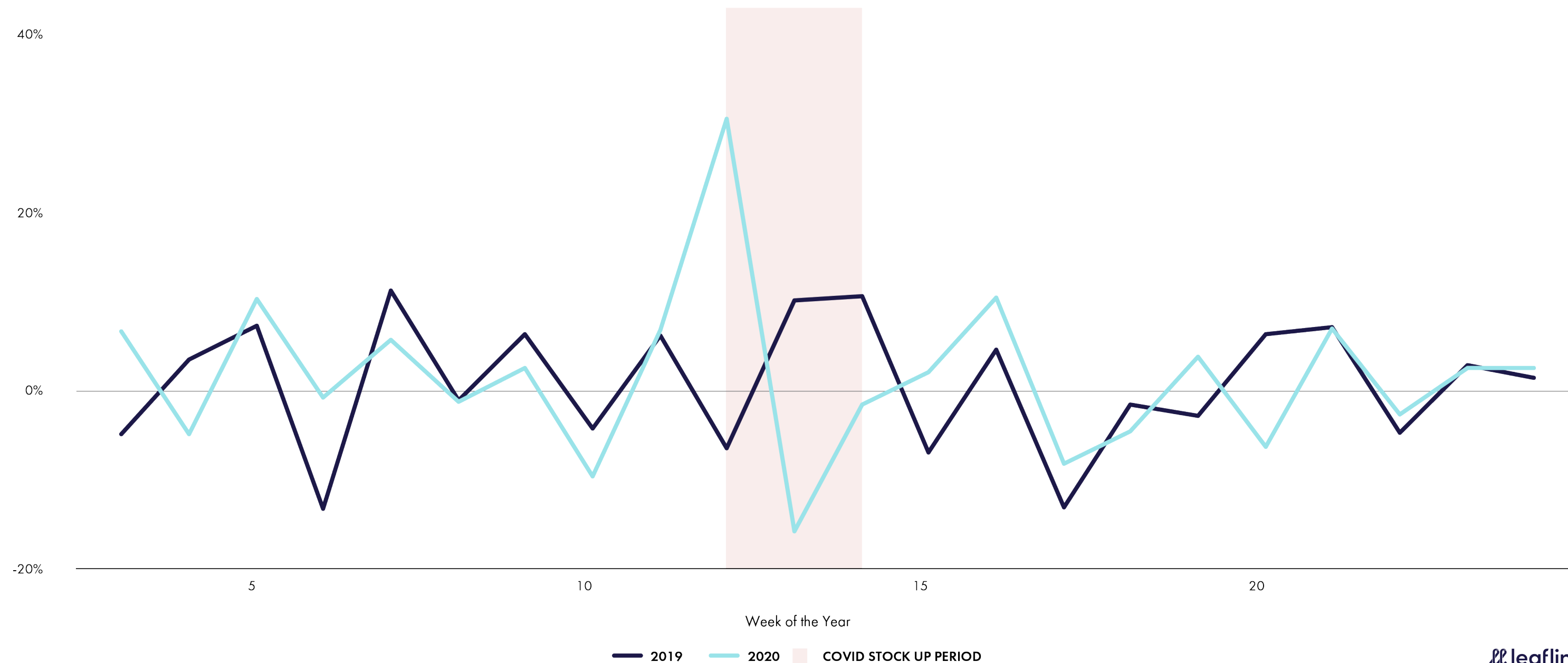


■ FEB. 1 - MARCH 15 ■ MARCH 16 - APR. 24 ■ APR. 25 - JUNE 1

LeafLink found a similar trend to be true in wholesale purchasing. While retailers placed orders less frequently, their order volume increased. As you will see in the chart below, weekly Average Order Value (AOV) remained relatively stable throughout the first five months of the year with the exception of Weeks 12-14 (March 16th - 30th).

During the week of March 16th, weekly AOV increased by 30% as retailers stocked up to prepare for the threat of nationwide stay-at-home orders. The following week, AOV decreased by 16%. This pattern mirrors the volatility in orders seen in the graph **Cumulative 2020 Growth Has Outpaced 2019 (page 6)**.

RETAILERS PLACED LARGER ORDERS LESS FREQUENTLY



UNCERTAINTY IMPACTED BUSINESS OPERATIONS AND HIRING

When looking at the immediate response to COVID-19, three clear adaptation patterns emerged from Vangst's survey: safer operations for both employees and customers, a shift in marketing, and a reduction in workforce—whether temporary or permanent. For plant-touching segments in particular, employee health and safety rose to the top of organizations' priority lists.

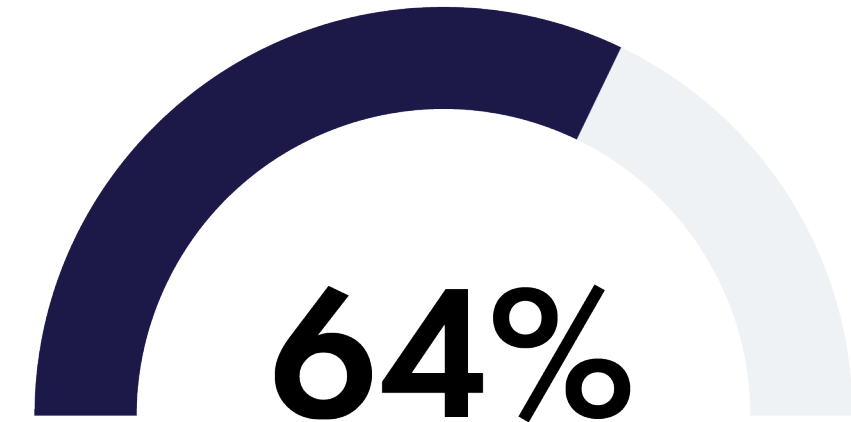
- Employee health and safety was the most commonly leveraged response strategy for plant-touching respondents.
- Permanent reductions in workforce and furlough strategies ranked strongly for all surveyed respondent segments.
- Across the board, plant-touching and ancillary businesses surveyed by Vangst pivoted with marketing shifts in response to COVID-19. More specifically, respondents noted that they immediately adapted by evolving overall marketing tactics (especially an increased focus on digital) and overhauling retail experiences.

A RETAILER DEEP DIVE: PIVOTS MADE IN RESPONSE TO COVID-19

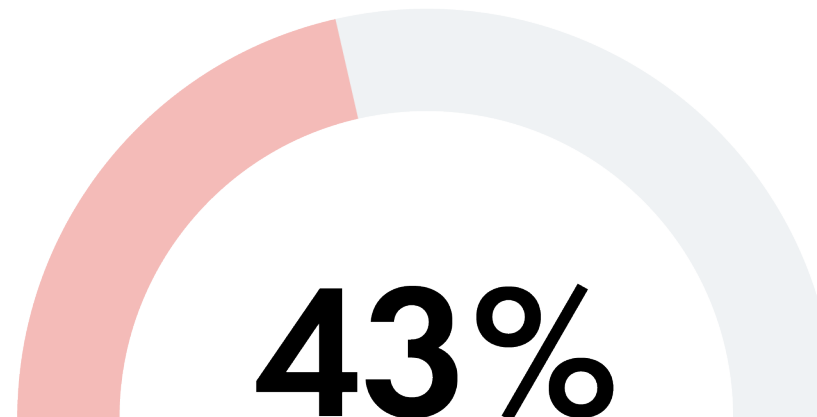
CURBSIDE PICKUP



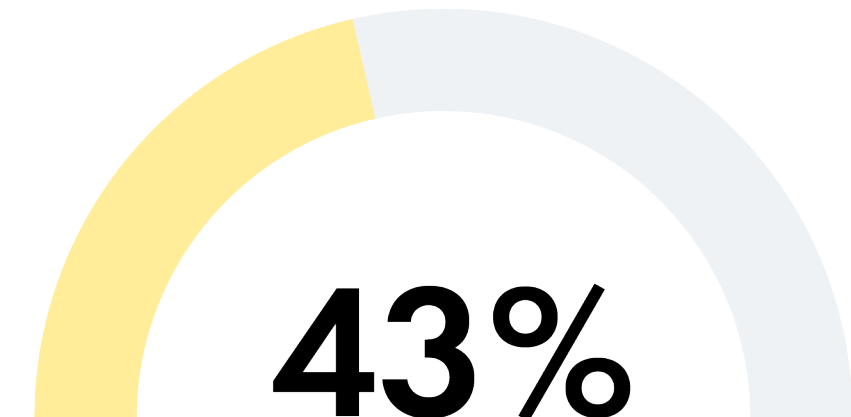
DELIVERY



INCREASED DIGITAL MARKETING & E-COMMERCE



TOUCHLESS TRANSACTIONS



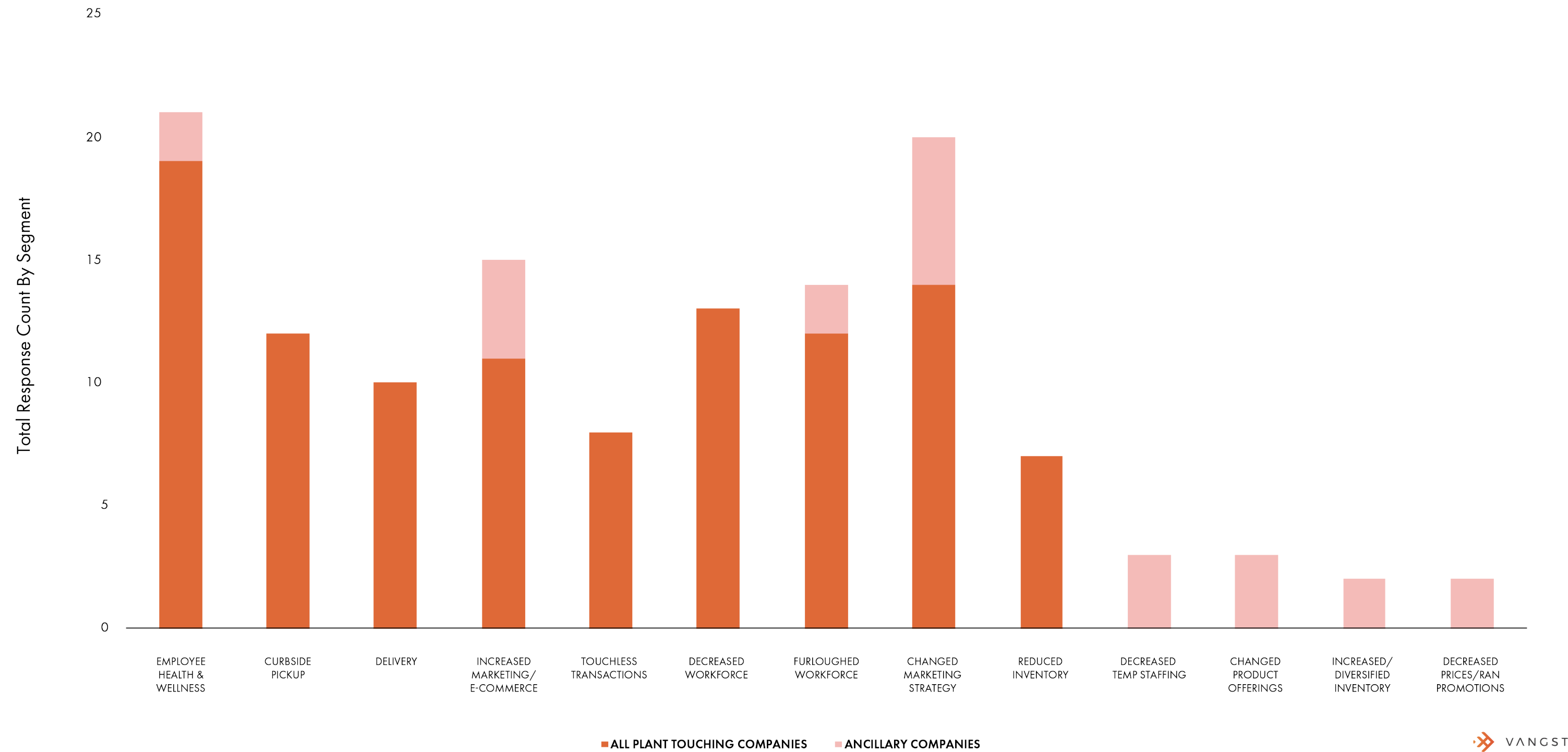
N=15

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TOP TACTICAL AND STRATEGIC PIVOTS BY BUSINESS TYPE



WHAT'S NEXT

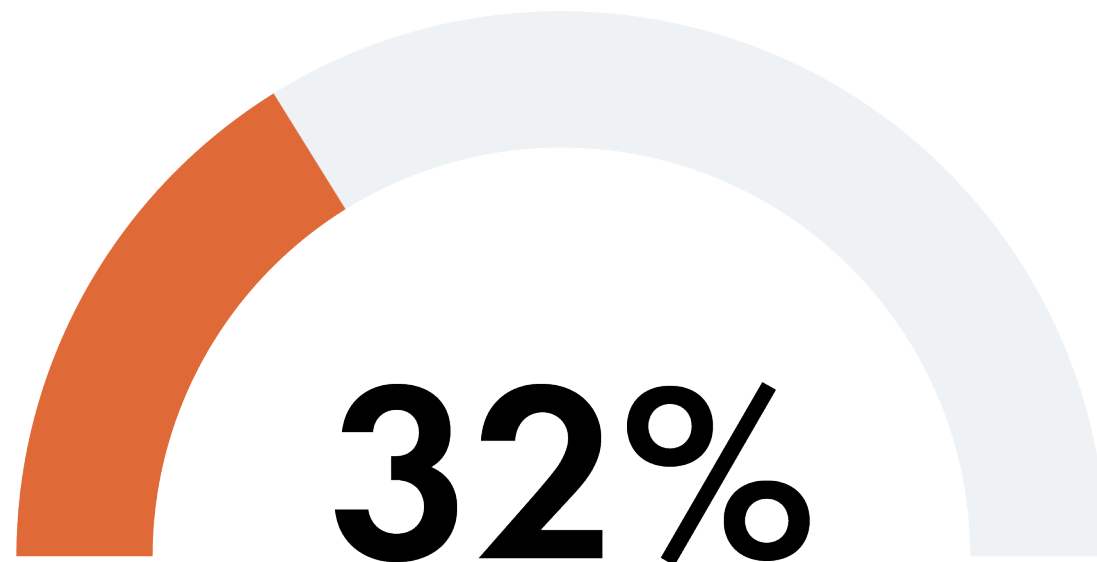
2020 has been an unprecedented year, and the volatility caused by COVID was felt by businesses throughout the cannabis industry. While the pandemic is far from over, things are looking up for cannabis. Here, we'll shift to look forward to the rest of 2020 and beyond.

WORKFORCE REDUCTIONS WERE NEARLY UNIVERSAL — BUT THE TIDE IS TURNING

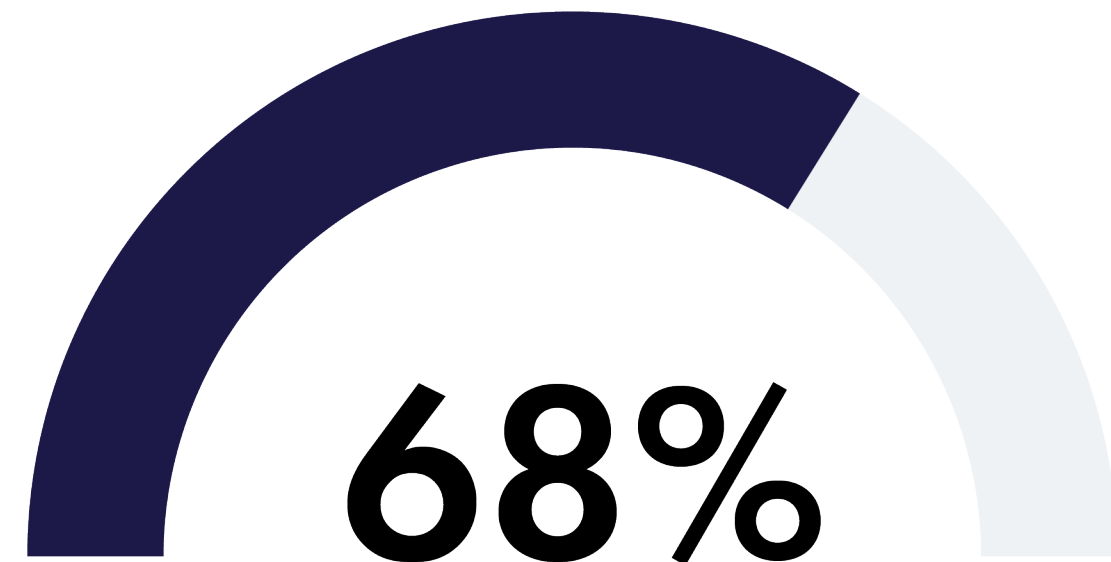
According to Vangst, 36% of all surveyed companies reduced headcount and 33% utilized employee furloughs to weather the impact of COVID-19, but a hiring rebound is already underway.

2ND HALF 2020 WORKFORCE PLANNING PROJECTIONS: ALL BUSINESSES

MAINTAIN HEADCOUNT



INCREASE HEADCOUNT



N=39

 VANGST

PRE- AND POST-COVID HIRING PLANS: A NEW LANDSCAPE EMERGES

EXECUTIVE LEADERSHIP HIRING HAS TAKEN A HIT

Across both ancillary and plant-touching segments, executive leadership hiring saw the biggest reduction from initial 2020 plans to post-recovery plans. Notably, while 20% of plant-touching respondents identified exec-level leadership as an initial 2020 top 3 hiring priority, less than 5% of respondents identified it as post-recovery top 3 hiring priority.

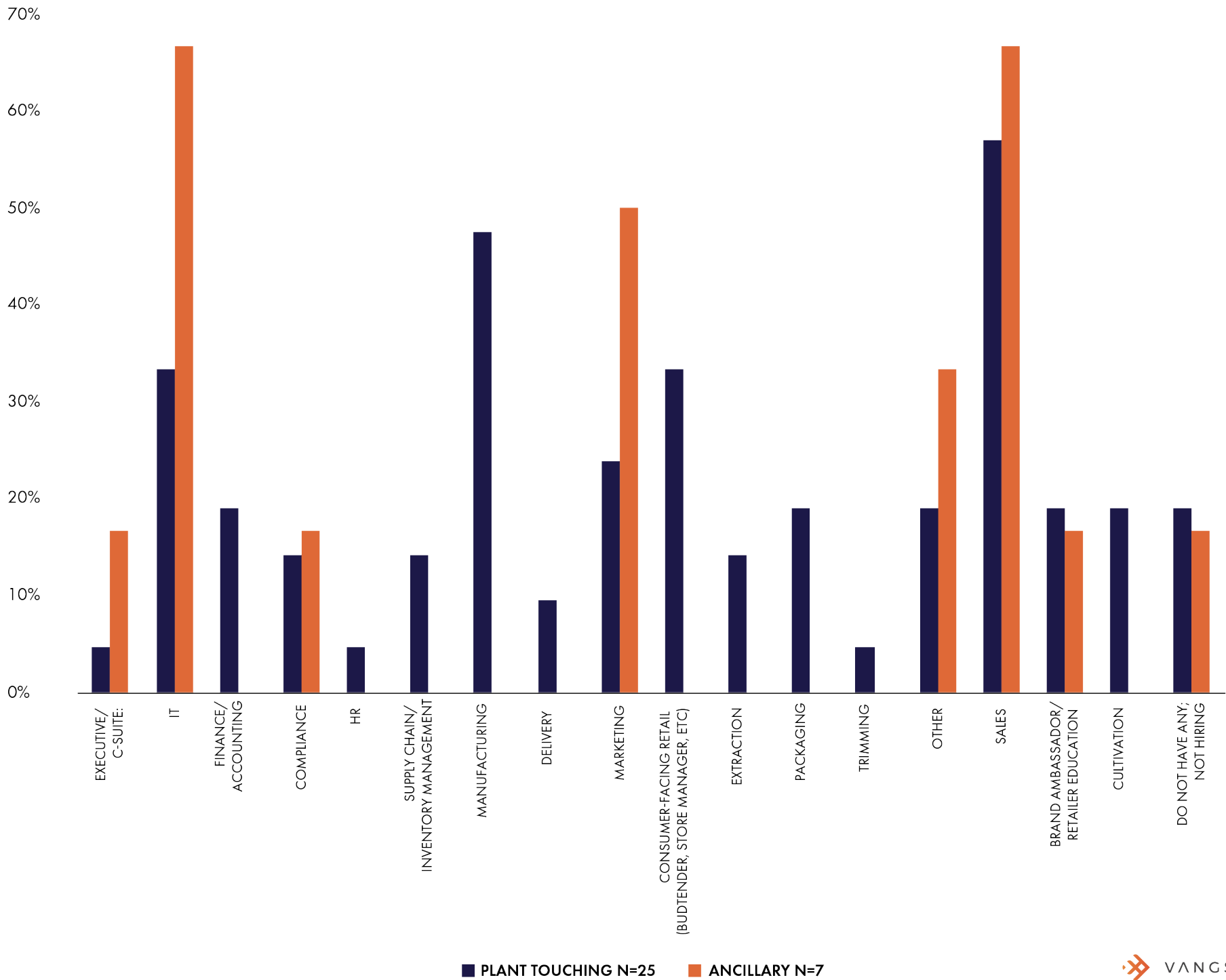
SALES HIRING IS STILL A PRIORITY

Sales was the most frequently identified top 3 hiring priority category at the onset of 2020 and remains the most frequently identified top 3 hiring priority category for the post-recovery 2020 phase.

UNSURPRISINGLY, MARKETING AND IT HIRING IS ON THE RISE

Both marketing and IT roles rose as a top 3 hiring priority from initial planning to post-recovery forecasting for both plant-touching and ancillary companies surveyed. This insight is consistent with this report’s findings regarding increased focus on e-commerce, digital marketing, and online ordering.

2020 POST-RECOVERY PRIORITIES



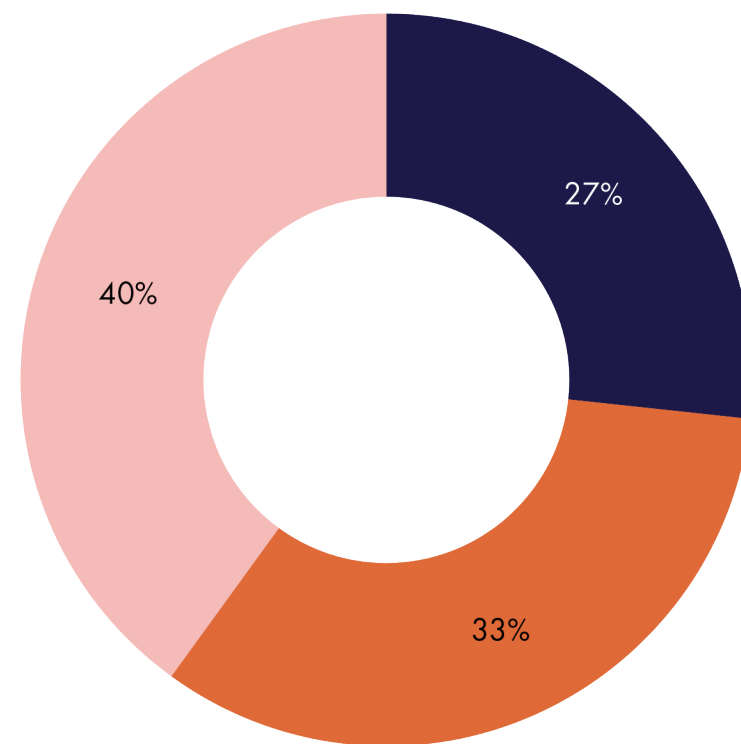
REVENUE PROJECTIONS WEATHERED THE STORM

As the industry rebounds, revised revenue projections for both plant-touching and ancillary segments are promising. 40% of Vangst respondents reported unchanged revenue projections, while one third actually reported increases from original 2020 forecasts.

WHOLESALE PURCHASING IS ON AN UPWARD TRAJECTORY

By the week of April 13th, the cannabis industry's 2020 cumulative year-to-date growth, as measured by LeafLink's Gross Merchandise Value (GMV), had surpassed 2019 levels. In many key markets, retailers are actually doing better now than they were at the start of the year. In Colorado and California, over 50% of retailers purchased more on average per week between April 4th and June 1st than they did during January; in Oregon, 61% of retailers purchased more during this time period. Despite the persistence of the health crisis, the industry remains on course to continue growing, and if the trend continues as depicted above, cannabis may end the year ahead of original 2020 forecasts.

SINCE COVID-19, HAVE YOUR 2020 REVENUE PROJECTIONS CHANGED?

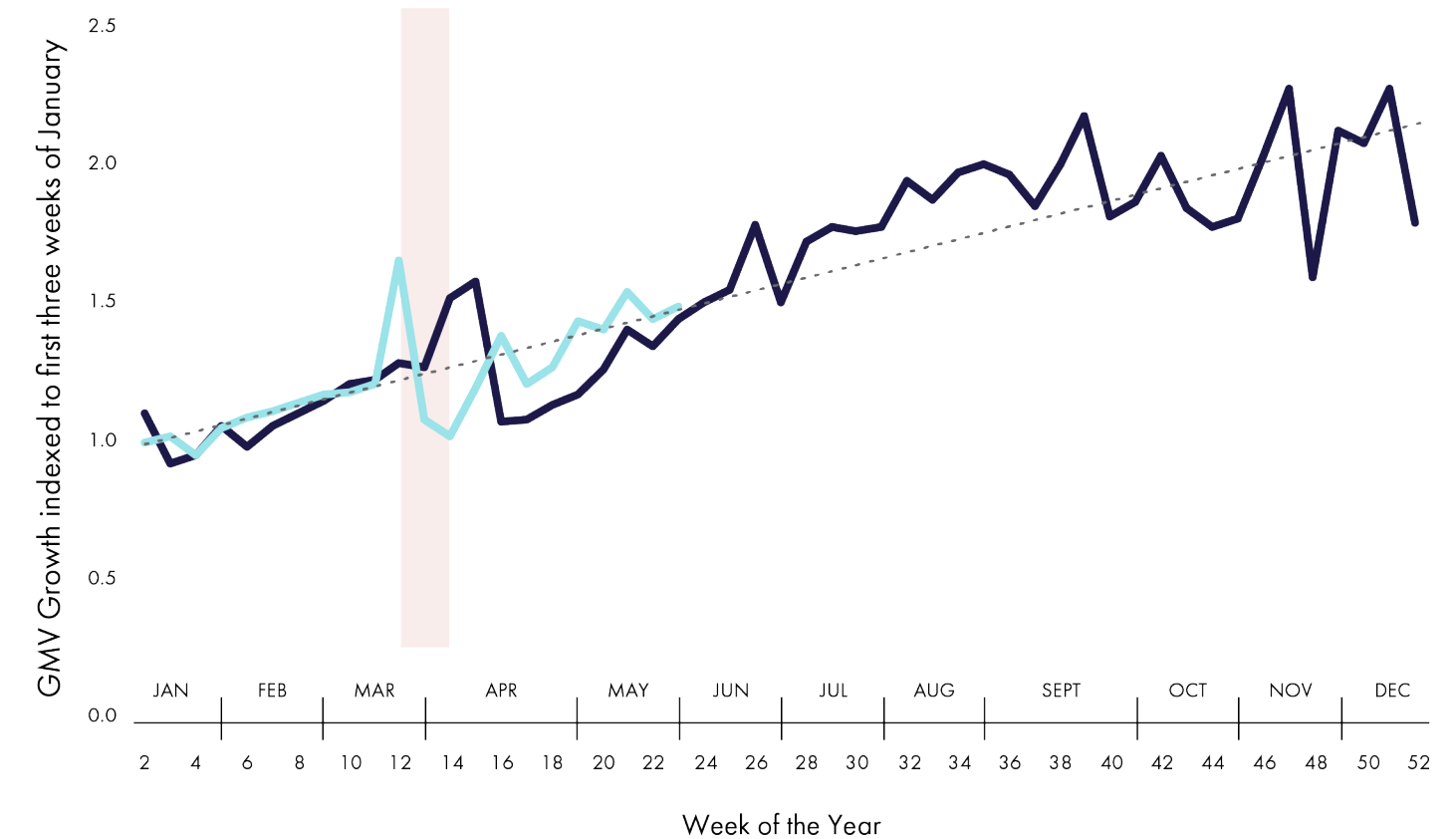


■ DECREASED ■ INCREASED ■ STAYED FLAT

N=30

VANGST

2020 ON PACE TO EXCEED 2019 GROWTH



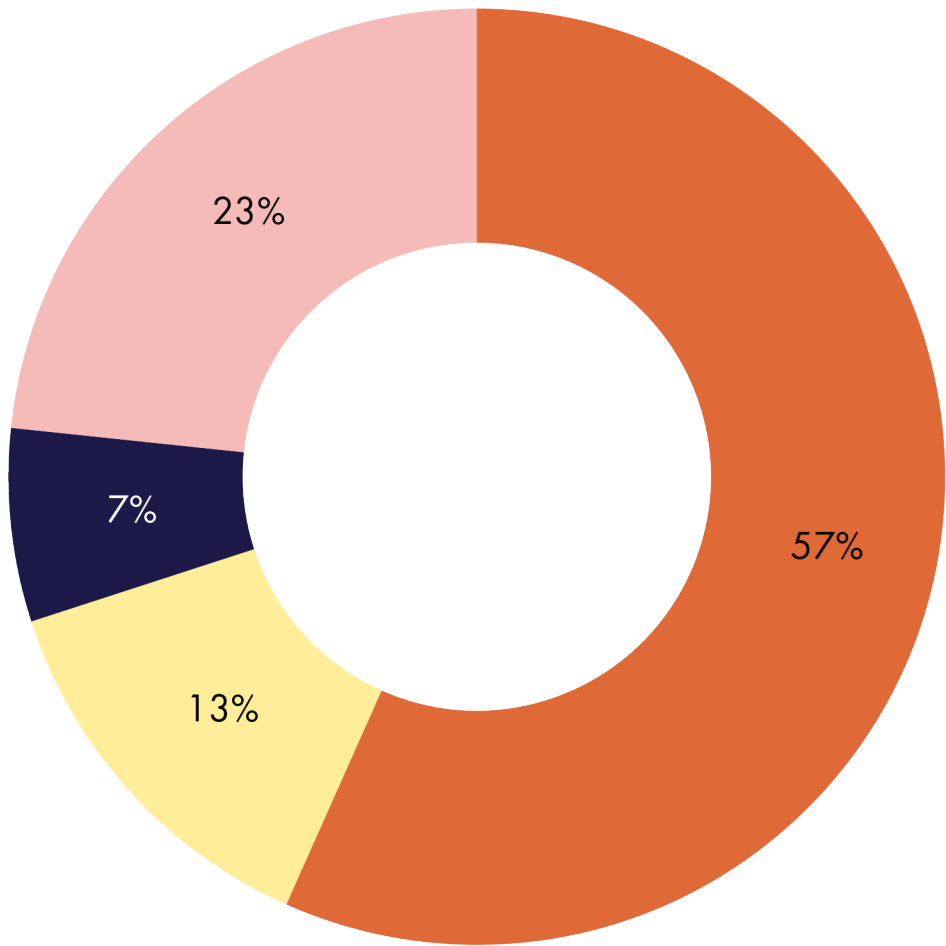
— 2020 GMV — 2019 GMV - - 2019 GMV GROWTH TRENDLINE COVID STOCK UP PERIOD

leaflink

REMOTE WORK IS HERE TO STAY

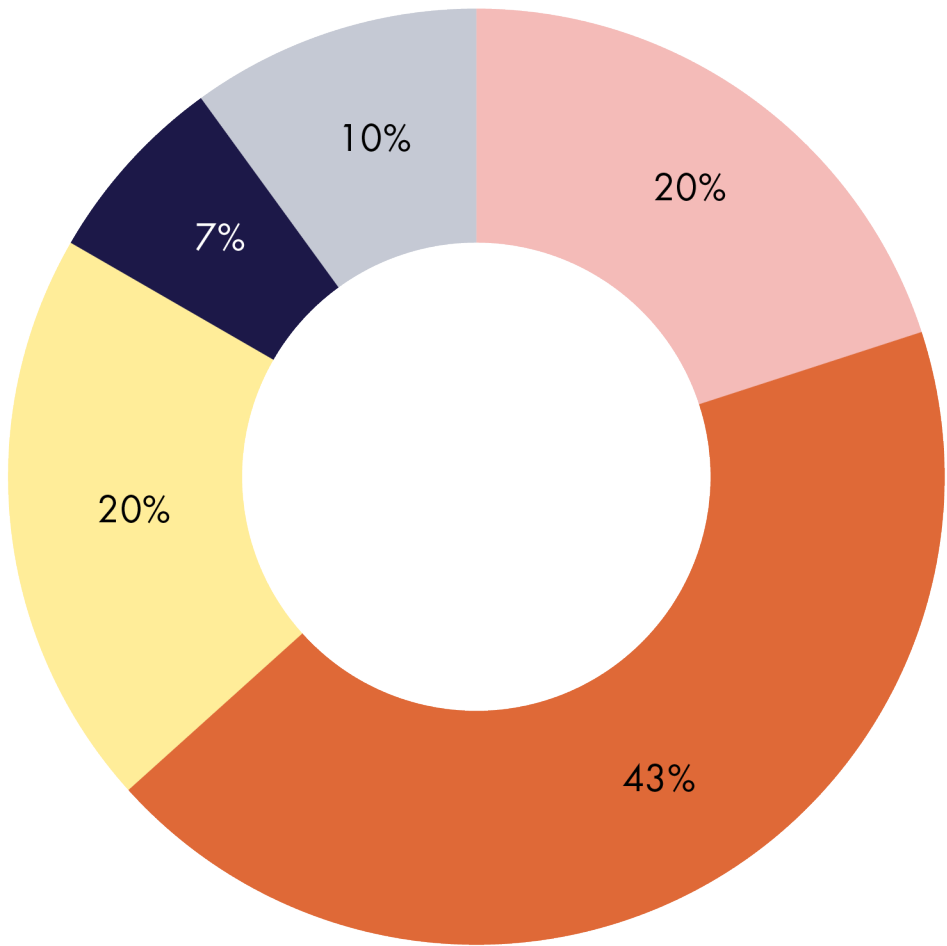
Thanks to COVID-19, remote work may be a permanent “normal” in one way or another for cannabis companies. In fact, all but three companies surveyed by Vangst said they had some type of remote work plan in place at the time of the survey. As of the June 1st survey close, more than 70% of respondents noted that they did not plan to be fully back on site for at least 3 months, if ever.

REMOTE RESPONDENTS:
WHAT PERCENT OF YOUR CURRENT WORKFORCE IS REMOTE OR DISTRIBUTED?



1-25% 26-50% 51-75% 75%+

WHEN DO YOU PLAN TO REINTEGRATE STAFF ON-SITE?



6 Months to One Year In the Next 3 Months In the Next Month Never We are Not Remote

PREPARING YOUR CANNABIS BUSINESS FOR THE FUTURE

Even in a time of immense change and confusion, the cannabis industry continues to grow. This is due in part to the industry's "essential" status across most legal states and the opportunities this new designation created. It is also due to the industry's ability to adapt to the new normal.

Cannabis is resilient — it's a trait that has been a part of the fabric of the industry since the beginning. Even at the height of the pandemic, when things were constantly changing, that spirit persisted and allowed businesses to find success. Thanks to years of experience with ever-changing regulations and legalization obstacles, cannabis businesses have been able to bounce back quickly during this pandemic, allowing them to continue pushing the industry forward.

The road ahead is still uncertain and will likely include many more challenges. Whether you operate a wholesale, consumer-facing, or ancillary cannabis business, here are a few ways you can prepare for the future.

CUSTOMER EXPERIENCE IS KING — AND THAT MEANS E-COMMERCE

Transaction innovation saved the day and is here to stay

Consumer expectations around purchasing have changed thanks to COVID-19, and will likely persist even after the crisis is over. The technologies that consumers expect from retailers in traditional industries, like online ordering and payments, delivery, and up-to-date digital menus, are now taking hold in cannabis. Dispensaries will need to figure out their e-commerce strategy, including which technology partners they can rely on, in order to keep up.

The pandemic also accelerated the move towards curbside pickup, delivery, and cashless transactions. These solutions were key tools for the majority of retail-licensed companies surveyed, and states that allowed these new models recovered faster according to LeafLink's data. Flowhub also found that stores with order ahead capabilities sold more once COVID-19 hit than stores without.

Store layouts matter

Even when people feel comfortable going to stores again, they may feel differently about small or crowded retail spaces. Retailers should consider their store layout and try to find ways to increase space between customers, facilitate quicker in-store transactions, or offer hybrid models of order ahead with an in-store upsell opportunity.

Brands who understand their market will come out on top

Purchasing patterns may be shifting, but consumer preferences weren't greatly impacted by the pandemic. Brands that are able to capitalize on their market's demand, while knowing who their competitors are, will come out on top.



BUSINESS AND TEAM OPERATIONS HAVE FUNDAMENTALLY CHANGED

Employee care and safety is critical

Increased focus on employee care and safety was the most referenced key to success across all Vangst respondents. Safe work standards and work spaces have also been largely responsible for cannabis's successful stronghold as an essential business, while so many other businesses were forced to shut down.

Major organizational changes were critical to survival

The ability to adapt quickly helps businesses keep up with changing regulations. Every company surveyed by Vangst reported at least one drastic — and innovative — change to their business model and team structure in the face of COVID-19.

Across the board, the teams who rallied and adapted proved their resilience on the other side. Companies Vangst surveyed reduced headcount quickly — both permanently and temporarily — but projections have bounced back within the quarter and successful Q3 Q4 hiring will be key to 2020 success.

Innovative business models led to industry growth

In several key LeafLink markets, over 50% of retailers purchased more on average per week after the COVID-19 crisis began than they did during the first few weeks of the year, and wholesale sales increased by more than 54% from January to June. The states that were the fastest to recover were those that empowered dispensaries to adopt new retail models early on.

WORKING TOGETHER IS THE KEY TO OUR INDUSTRY'S RESILIENCE

Real-time communication is non-negotiable

Dispensaries need to be able to push information out to customers, prospects, and vendors. Before the pandemic, events and product launches were some of the best ways to stay in touch; since the onset of COVID-19, the focus has shifted to updated hours, enhanced policies/procedures, and declarations of values. This shift also requires dispensaries to enable text or email to facilitate communication around order ahead or delivery workflows.

Essential status paves the way for legalization

Cannabis companies are resilient and have faced many challenges in the past - legalization, regulation, and changing public opinion. For the industry, which has only begun to legalize over the past decade, being classified as "essential" during this crisis was a major win, and a true testament to how far cannabis has come.

Developing Loyal Retail Customers is Key for Brands

Retail purchasing is up overall on LeafLink, but after the pandemic hit in 2020, retailers were less likely to buy from new brands than they were in 2019. Dispensaries are flocking to tried and true brands and products, and newer brands will likely have to work harder to reach customers, whether by investing in advertising and promotion, offering flexible payment options, or revamping their logistics strategy.

As cannabis businesses plan for the rest of 2020 and beyond, these takeaways will be key to success. It's not clear what 2021 will look like, but as long as teams can make any needed adjustments, intelligently plan for ordering and inventory management, and offer contactless, positive experiences for customers, they will be ready to handle whatever comes their way. After reviewing this report, readers should have a clearer idea of how the cannabis industry has been impacted by COVID-19, and how they can adapt their businesses to continue to thrive.



METHODOLOGY

VANGST

- To collect company-reported data for the team growth, hiring priority, pivot strategy, remote working, and revenue projection data sets, Vangst surveyed 39 U.S. cannabis companies. We selected a data pool representative of the larger cannabis industry.
- All survey responses were cross-checked by hand to confirm legitimacy

Plant-Touching vs. Ancillary Companies

- 77% of surveyed companies are plant-touching (including Cultivation, Lab/Extraction, Retail, Manufacturing, and Delivery/Distribution)
 - Out of Plant-Touching Companies Surveyed:
 - 50% Have retail operations
 - 50% Have cultivation operations
 - 47% Have lab/extraction operations
 - 70% Have manufacturing operations
 - 13% have delivery operations (we've counted these unique from retail)
 - Out of the 39 companies we surveyed, 21 % are fully vertically integrated, meaning their operations span Cultivation, Manufacturing, Lab/Extraction, and Retail.
- 26% are ancillary companies, meaning they are not plant-touching.
- Vangst surveyed one respondent who represents both ancillary and plant-touching lines of business; their responses are reflected in both ancillary and plant-touching reporting but are not double-counted in any reporting totals.

Company Sizes:

- 100+ 41% (16)
- 50-99 23% (9)
- <50 36% (14)

Company Locations:

- MSO 22% (9)
- CO 32% (13)
- CA 18.0% (7)
- Nevada 5% (2)
- MD/DC 5% (2)
- Other 15% (6)
- Includes: WA, OR, AK, IL, NY, VT

Our survey did not require answers to each question in order to accommodate varying proprietary restrictions and available data by company; a minimum of 70% completion was ensured for each validated survey question.

FLOWHUB

This data is based on a representative sample cohort of 800 cannabis dispensaries using the Flowhub cannabis retail platform across 13 markets.

LEAFLINK

In this report, LeafLink included data from all 26 territories where the marketplace is currently live. The analysis includes data from January 1st, 2019 - June 1st, 2020. For more in-depth analysis of how COVID-19 has affected brands, retailers, and key cannabis markets, check out the report, [The Impact of COVID-19 on Wholesale Cannabis](#).

Baseline Period:

For the purposes of this report, the first three weeks of January (Week 2 - Week 4) are used as a baseline for indexing growth. This baseline period is used where noted below.

Charts:

Cumulative 2020 Growth Has Outpaced 2019

LeafLink marketplace growth in 2019 vs 2020 as measured by week-over-week change in GMV Weeks 2 - Week 23 (January 26th - June 1st 2020).

Government Response Impacted State Performance

LeafLink 2020 sales growth Week 5 - 23 (January 27th - June 1st 2020). This graph includes 2020 national sales growth, as well as sales growth for California, Colorado, and Oregon. Sales growth is indexed against the above baseline period.

Inhalables Remained Popular Despite COVID-19

Percent share of 2020 National orders broken into key product categories.

Retailers Placed Larger Orders Less Frequently

Week-over-week Average Order Value (AOV) change in 2019 and 2020, Weeks 2 - Week 23 (January 26th - June 1st 2020).

2020 On Pace to Exceed 2019 Growth

LeafLink growth in 2019 vs 2020 as measured by week-over-week sales through the marketplace Weeks 2 - Week 23 (January 26th - June 1st 2020). Sales growth is indexed against the above baseline period. This graph includes 2019 sales growth for Week 24 - Week 52, as well as a 2020 Trendline based on the current weekly growth rate.



ABOUT VANGST

Vangst is the premier talent resource for the cannabis industry. Built on a network of the industry's best people and widest-ranging career opportunities, Vangst helps employers and employees succeed in cannabis. From temporary gig work to full-time career placement, Vangst is trusted by the most successful brands in cannabis to meet each team's unique staffing needs and has successfully placed over 10,000 candidates to-date. The Vangst team's industry expertise, regulatory know-how, and passion for the plant uniquely qualify them to connect companies with the best possible talent. At the end of the day, Vangst is about getting cannabis to work with smarter technology, unmatched human expertise, and the industry's best community of talent. Learn more at Vangst.com

ABOUT LEAFLINK

LeafLink, the cannabis industry's wholesale marketplace, is defining the way thousands of cannabis brands and retailers manage and track their orders and relationships, so they can focus on growing their businesses. Retailers who previously called, emailed, or texted 50+ sales reps to place an order, now save a day per week ordering all their cannabis brands in one cart on LeafLink. The e-commerce marketplace empowers brands, distributors, and retailers who want to streamline the ordering process, simplify communication, and spend less time on administrative work. The company has offices in New York, Los Angeles, and Toronto, and is live in 26 territories across the United States and Canada. Cannabis retailers and brands use LeafLink to manage over \$2.8B+ in annual orders, making up an estimated 30% of US wholesale cannabis commerce. Learn more at LeafLink.com.

ABOUT FLOWHUB

At Flowhub, we're about more than technology — we're on a mission to make legal cannabis accessible to everyone. Founded in 2015, Flowhub pioneered the first Metrc API integration to help dispensaries stay compliant. Today, over 1,000 dispensaries trust Flowhub's point of sale, inventory management, business intelligence, and mobile solutions to process \$3B+ cannabis sales annually. If you're interested in learning how Flowhub cannabis retail management platform can help your dispensary operation adapt and thrive with the evolving industry, visit flowhub.com.

