ONTARIO CANNABIS STORE

A YEAR IN REVIEW

April 1, 2020 – March 31, 2021

ABOUT THIS PUBLICATION

The Ontario Cannabis Store (OCS) publishes *A Year in Review (April 1, 2020 – March 31, 2021)* as a resource for the entire legal cannabis industry in Ontario. This document is intended to provide historical key facts and figures for the period between April 1, 2020 and March 31, 2021.

This publication marks the second annual data report by the OCS following *A Quarterly Review (October 1 – December 31, 2020)*. This publication will evolve over time, and feedback is welcome to help improve its value. Comments and feedback on this report can be submitted to **inquiries@OCS.ca**.

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OCS ONTARIO CANNABIS STORE

A Year of Growth Against All Odds

Letter from David Lobo, Interim President and CEO

I am pleased to share with you our *A Year In Review* insights publication, covering the Ontario cannabis marketplace from April 1, 2020 to March 31, 2021.

OVERCOMING COVID-19

While our legal marketplace has a great distance to go to fulfill our mandate of bringing in legacy consumers, the progress made in 2020–21 deserves celebration. In the last year, our industry demonstrated resolve as it continued to grow despite the challenges presented by a global pandemic. While all retail businesses in Canada faced the devastating impact of COVID-19, the Ontario legal cannabis industry showed significant resiliency given it was only in its second full year of operation. Most prominently, our network of legal retail stores had to overcome lockdown measures that forced them to shut their doors for in-store sales for more than half the year, relying exclusively on newly launched curbside pick-up and delivery platforms to service their customers. These same important public health measures and stay-at-home orders also tempered demand - minimizing social and tourism activity across our province. And while legal retailers did their part to help our province fight this devastating virus, persistent illegal operators continued to fight for the attention of consumers. Notwithstanding these challenges, Ontario's legal marketplace consistently grew its rate of market capture and percentage of national sales. This was primarily driven by increases in retail points of access, advances in product innovation and quality, and gradual acceptance among consumers around shopping legal.

REORIENTING OPERATIONS AROUND CONSUMERS

A notable observation of the past year has been the progress made across legal cannabis producers, retailers, and even the OCS, in reorienting our business activities toward clearer consumer-focused operating strategies. At the heart of this shift has been a step forward in what consumers care most about – products. Product pricing on OCS.ca and retail stores became more competitive in 2020-21, and on average prices are almost a dollar per gram lower than prices found through illegal online sellers. Quality and freshness, particularly in dried flower, consistently improved with a more mature supply chain and improved logistics infrastructure. Most rewardingly, legal dried products have started to shed the negative reputation they once garnered as being dry and stale. A growth of craft cannabis producers also successfully emerged in the market, encouraging the rest of the industry to build brands based on fresh products and farm-to-consumer artisanal practices.

RISE IN CONSUMER ACCESS

Most central to the growth of the Ontario cannabis marketplace in 2020-21 has been the rapid expansion of our retail store network. At the time of this publication, Ontario was home to the most stores in Canada, with over 800 stores across all regions of the province, up from 53 in April 2020 when Ontario's open market retail framework began. The average distance to a store for residents in Ontario is now below 6.5 kilometres, down from almost 20 kilometres less than a year ago. Behind these numbers are hundreds of retail operators who all faced hurdles around leasing, building out stores and getting doors open during a pandemic. Despite construction delays, challenges in accessing capital and recruiting employees virtually, many new retailers opened their stores during this time.

CANNABIS 2.0 PRODUCT INNOVATION

In 2020-21 the emergence of Cannabis 2.0 product categories (extracts, edibles and topicals) resulted in significant infusion of capital investment into legal cannabis manufacturing. The output of this has been a wave of new legal Cannabis 2.0 products that have launched into market in Ontario, and consumers have provided a wealth of feedback for producers on how to improve the products in these new legal categories. With each quarter that passes, improved data on shopper habits and consumer preferences are propelling CPG-oriented (consumer packaged goods) cannabis producers toward the ultimate goal of offering products that not only rival, but surpass, the illegal market in all consumer desired attributes. Feedback from consumers through our legal supply chain has further underscored the competitive global advantage Canadian producers and retailers have when maximizing the learnings available to them from our domestic marketplace.

LOOKING AHEAD

With or without continued COVID-19 challenges, the immediate future of the legal cannabis marketplace is likely to continue to shift and adjust. Ontario's open market is expected to grow in the months ahead, with 1,000 retail stores expected to open their doors by September 2021. Unfortunately, this rapid growth will likely result in some retailers being faced with increased competition and a crowded marketplace, which could result in some closures and market right-sizing. Other retail stores may choose to participate in mergers and acquisitions to increase their size and scale, and presumably drive down their operating costs. However, at the core, all retailers will be challenged to further drive a relentless focus on targeted consumer segments and differentiating themselves from others.

For cannabis producers, additional consolidation activity is expected as the number of participants and licensed cultivation capacity continues to far exceed the size of domestic demand. Some producers will continue to face the harsh challenge of adjusting their business to accurately capture the right share of the addressable market in Canada. Additional craft and micro-cultivators and processors are expected to come to market in waves, creating a healthier level of competition to meet consumer demand, particularly in product categories with deep legacy roots. Product innovation and the pipeline of new products is also expected to radically shift as producers leverage greater consumer insights and feedback, put more focus into targeted assortments, and adopt more stringent CPG and traditional retail standards into their operations.

Regardless of how our new marketplace continues to unfold, cannabis producers, retailers, and the OCS must remain focused on maintaining a culture of innovation centred on delighting legacy consumers with compelling legal offerings. As the flash and attention of legalization of cannabis wears off, a stronger commitment to continuous improvement is critical to establishing a sustainable industry. In the months ahead, many Ontarians emerging from COVID-19 lockdowns will enter a new legal retail store in their community for the very first time. These shopping experiences and attention to consumer feedback hold the secret to success for the industry for years to come. If we stay on the right course, this new legal cannabis industry will most certainly establish itself as an important engine that helps drive Ontario toward economic recovery in the months and years ahead.

David Lobo, Interim President and CEO,
Ontario Cannabis Store

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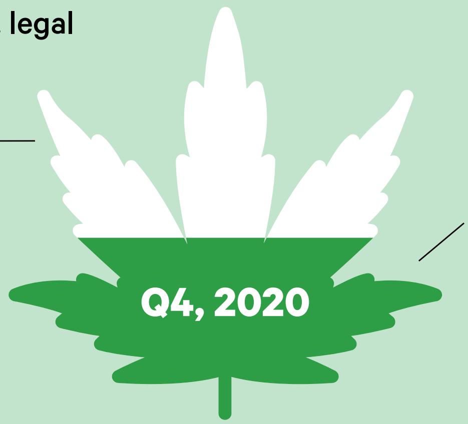
THE BIG PICTURE

Ontario recreational cannabis market share by source: illegal vs. legal



Q1, 2020 **25.1%** | Q2, 2020 **36.2%** | Q3, 2020 **43.1%***

As a result of continued growth in retail store openings, Ontario's legal share of the recreational market nearly doubled from 20% during the 2019 – 2020 fiscal year to 37.6% in this past fiscal year. This last quarter, Ontario's legal share of the recreational market increased by 1% point compared to Q3, reaching 44%.

Note: Ontario legal market share has been calculated based on data from Statistics Canada. The time period of reporting has been adjusted to reflect OCS fiscal periods compared to the calendar year used by Statistics Canada.

Source: Statistics Canada; calculated by OCS *Revised data

Total grams sold

99,100,000 g

Retail Stores **81,500,000 g**

OCS.ca **17,600,000 g**

Number of retail stores

572

Total sales in Ontario

Retail Stores	OCS.ca
$707,600,000	**$132,400,000**

$840,100,000

Note: All figures are unaudited and include both cannabis products and accessories. Sales exclude taxes (HST).

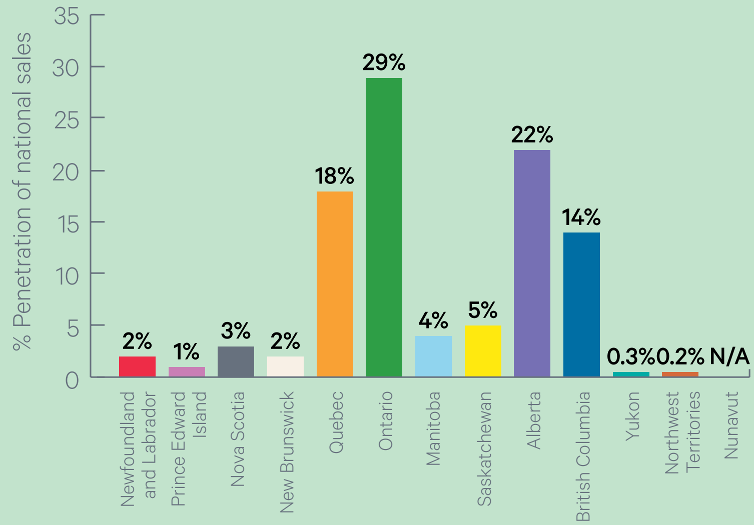
Unique and new items listed

Q1, 2020	Q2, 2020	Q3, 2020	Q4, 2020
907	**1,115**	**1,362**	**1,386**
	323 NEW	329 NEW	268 NEW

The number of unique items available for sale on OCS.ca is growing consistently and has increased by 34.5% since the end of Q1, with 920 new SKUs in the last fiscal year. Unique items listed include active SKUs that were in-stock and excludes accessories.

Ontario share of national recreational sales

April 1, 2020, to March 31, 2021

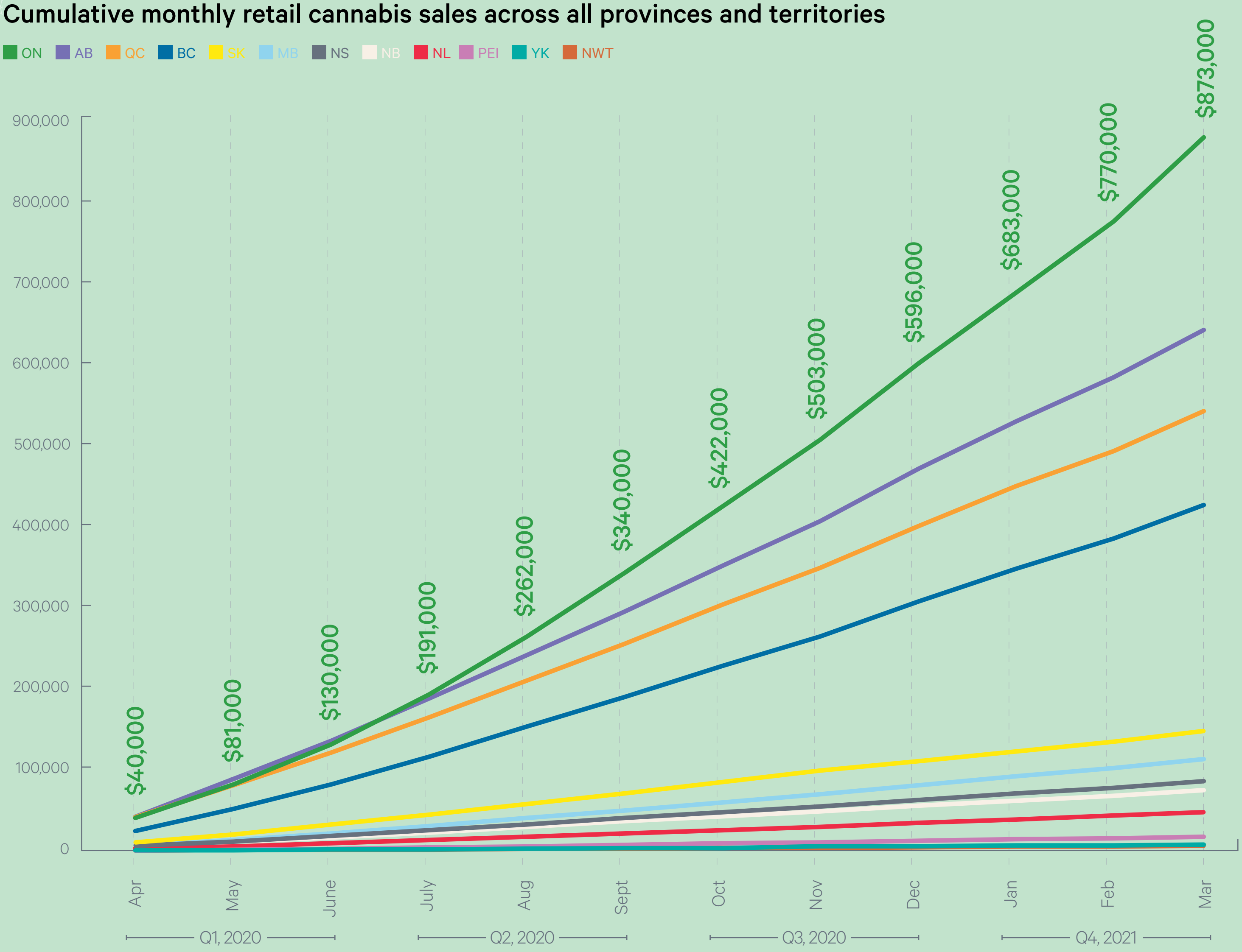


Despite extended COVID-19 lockdown measures which prohibited in-store sales, Ontario grew its national recreational sales among all provinces and territories to 29%, an increase of 4% points compared to 2019 – 2020.

Source: Statistics Canada. Table 20-10-0008-01 Retail trade sales by province and territory

THE BIG PICTURE

Cumulative monthly retail cannabis sales across all provinces and territories



Note: The time period of reporting used by Statistics Canada is based on a calendar year.

Source: Statistics Canada. Table 20-10-0008-01 Retail trade sales by province and territory (x 1,000)

SALES DATA

In the second full fiscal year of commercial operations, 99,100,000 grams of legal recreational cannabis valued at approximately $840,100,000 were sold in Ontario, an increase in volume of 182% over last year. Physical stores made up of 84% of sales in the province representing 81,500,000 grams versus the online channel's sales of 17,600,000 grams. This year dried flower continued to lead product categories, with over 59% of sales, followed by vapes and pre-rolls, at 16% and 12% respectively, with edibles making up 4% of all sales.

The entire duration of the fourth quarter, Ontario was under a state of emergency and provincial emergency measures temporarily limited retailers' operations to curbside pick-up and delivery, with many stores unable to consistently open for in-person sales. Despite these challenges presented by COVID-19, cannabis sales grew aligned with the number of brick-and-mortar stores across the province. Progress was made in taking market share away from the illegal market with legal sales representing nearly 44% of all cannabis sold in Ontario, a slight increase from 43%.

As new product categories continued to grow, the categories that experienced the most amount of revenue growth included milled flower, resin and rosin, and lotions and creams. Vapes captured over 16% of total sales, an increase of 795% in sales from last fiscal. 74% of these sales were attributed to 510 cartridges while disposable vape pens continued to see a steady decline each quarter. Soft chews dominated the edibles category as chocolate, baked goods and hard edibles declined in sales.

Consumer preference continues to lean towards products with higher THC levels (above 20%) with customers in stores buying high THC products 344 times faster than low-THC products. CBD-dominant products were the second-fastest selling category, 138 times faster than the slowest selling products. On OCS.ca the sales velocity of high-THC and CBD-dominant products were sold at an extremely close rate with only a 4-point difference.

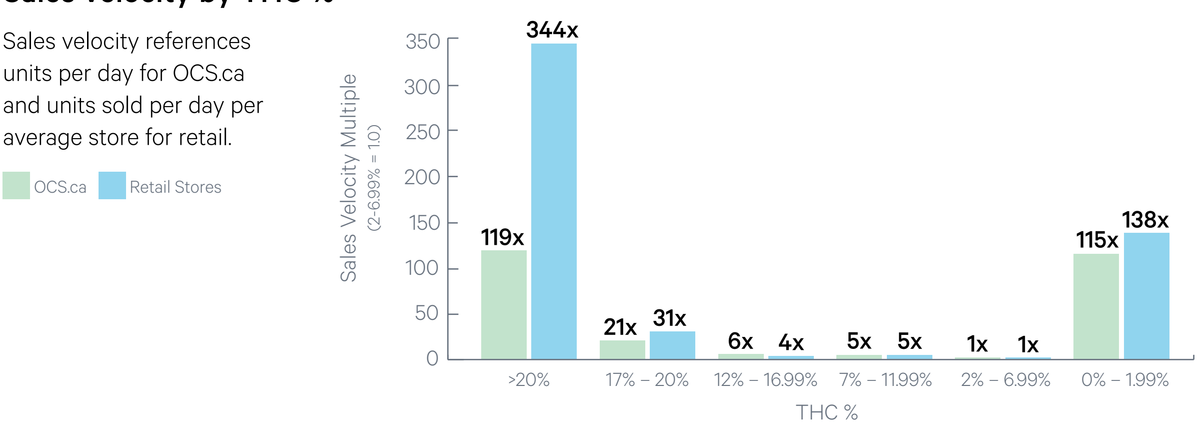
Total sales and grams sold by product categories

		OCS.ca		Retail Stores		% of Sales
Dried Flower	Milled Flower	**$1,501,000**	391,000 g	**$6,178,000**	1,235,000 g	**59%**
	Whole Flower	**$68,826,000**	11,808,000 g	**$411,397,000**	55,189,000 g	
Vapes	510 Thread Vape Cartridges	**$14,561,000**	848,000 g	**$81,804,000**	4,081,000 g	**16%**
	Disposable Vape Pens	**$4,247,000**	151,000 g	**$14,594,000**	455,000 g	
	Proprietary Systems Vape Cartridges	**$1,741,000**	73,000 g	**$4,800,000**	163,000 g	
	510 Thread Vape Kits	**$1,691,000**	67,000 g	**$5,984,000**	207,000 g	
Pre-Rolled	Single Strain Packs	**$6,935,000**	846,000 g	**$89,920,000**	8,598,000 g	**12%**
Edibles	Hard Edibles	**$141,000**	5,000 g	**$349,000**	13,000 g	**4%**
	Baked Goods	**$201,000**	43,000 g	**$630,000**	117,000 g	
	Chocolate	**$3,094,000**	557,000 g	**$9,864,000**	1,491,000 g	
	Soft Chews	**$3,385,000**	410,000 g	**$18,158,000**	1,609,000 g	
Oils	Bottled Oils	**$8,632,000**	239,000 g	**$18,494,000**	499,000 g	**4%**
	Oral Sprays	**$2,027,000**	23,000 g	**$2,437,000**	37,000 g	
Beverages	Cold Beverages	**$1,620,000**	1,266,000 g	**$8,712,000**	5,196,000 g	**2%**
	Dealcoholized Drinks	**$75,000**	88,000 g	**$496,000**	399,000 g	
	Hot Beverages	**$601,000**	22,000 g	**$1,305,000**	40,000 g	
Capsules	Softgels	**$4,747,000**	225,000 g	**$9,266,000**	206,000 g	**2%**
Concentrates	Shatter	**$227,000**	13,000 g	**$2,160,000**	120,000 g	**2%**
	Wax	**$83,000**	6,000 g	**$626,000**	41,000 g	
	Hash	**$1,504,000**	278,000 g	**$6,523,000**	1,096,000 g	
	Distillates	**$48,000**	4,000 g	**$125,000**	7,000 g	
	Resin and Rosin	**$575,000**	36,000 g	**$4,041,000**	256,000 g	
	Kief and Sift	**$499,000**	109,000 g	**$1,172,000**	209,000 g	
Topicals	Lotions and Creams	**$1,005,000**	20,000 g	**$3,100,000**	57,000 g	**1%**
	Bath	**$75,000**	32,000 g	**$344,000**	147,000 g	
Seeds	Seed Packs	**$471,000**	42,000 g	**$453,000**	38,000 g	**<1%**

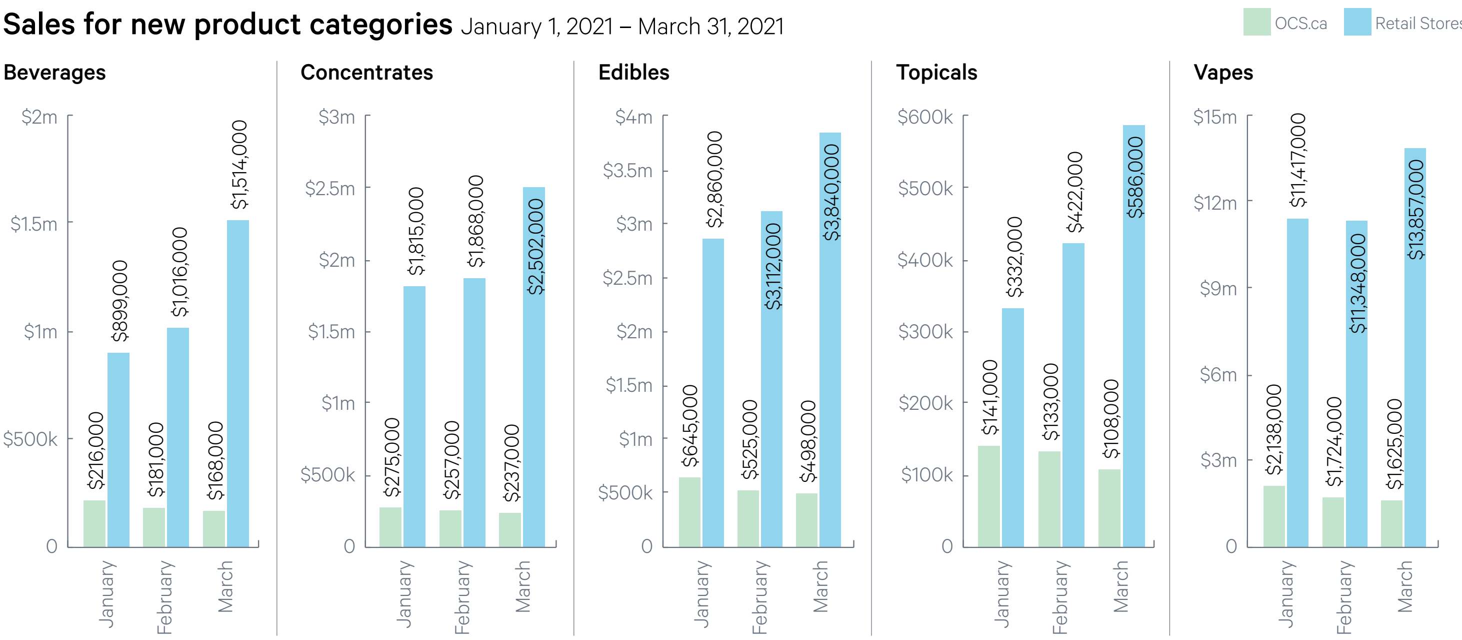
Note: Average prices are weighted by sales and exclude taxes. % of sales do not total 100% due to rounding. Dried flower equivalency (DFE) conversion can be found here.

Sales velocity by THC %

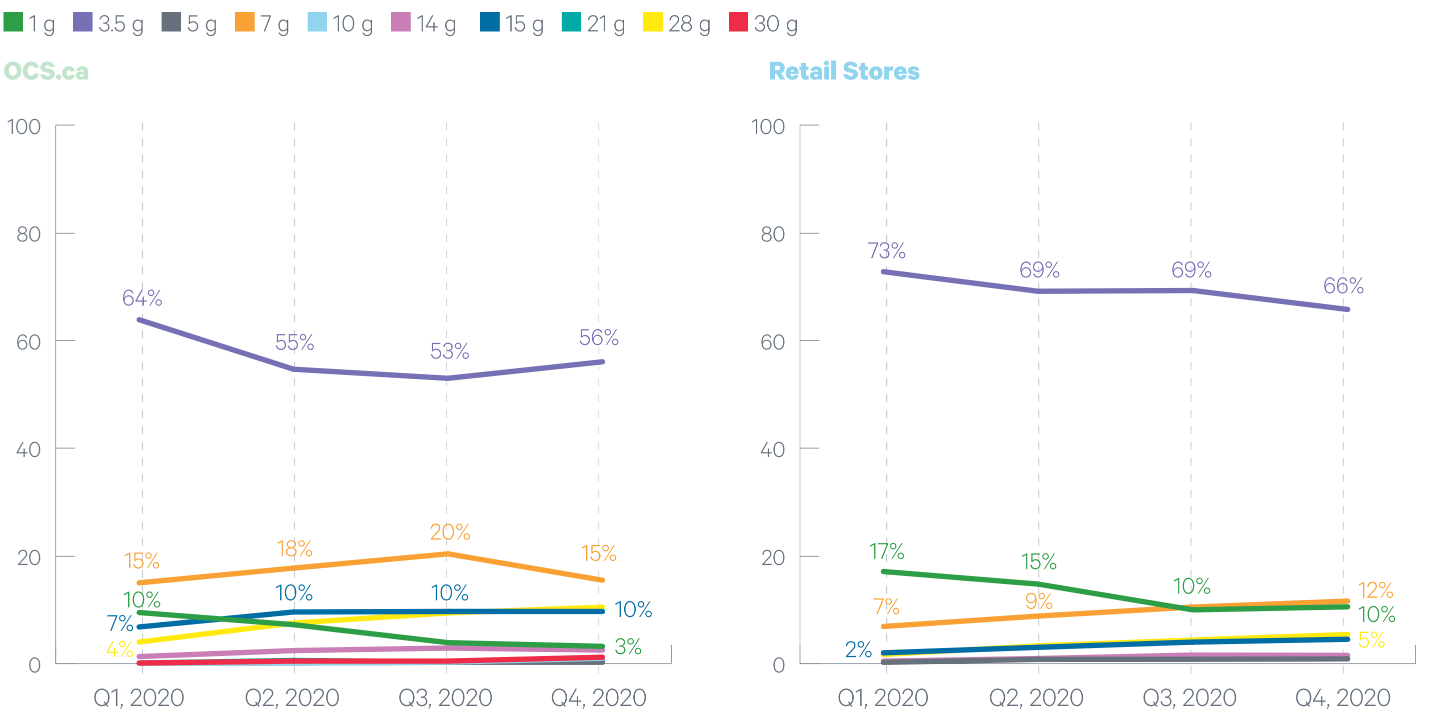
Sales velocity references units per day for OCS.ca and units sold per day per average store for retail.



Sales for new product categories January 1, 2021 – March 31, 2021



Sales proportion by quarter, size and channel for dried flower

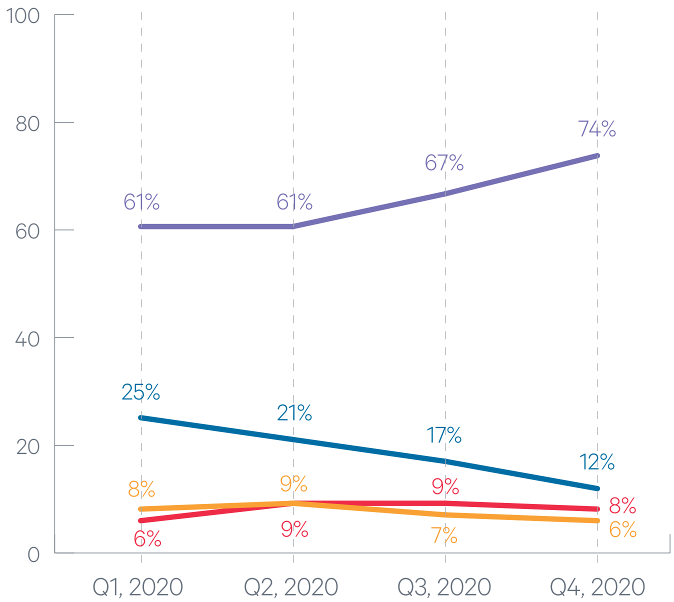


Note: In an effort to drive consistency for consumers, OCS continues to encourage producers to transition towards standardized size variants of 1g, 3.5g, 7g, 14g, and 28g.

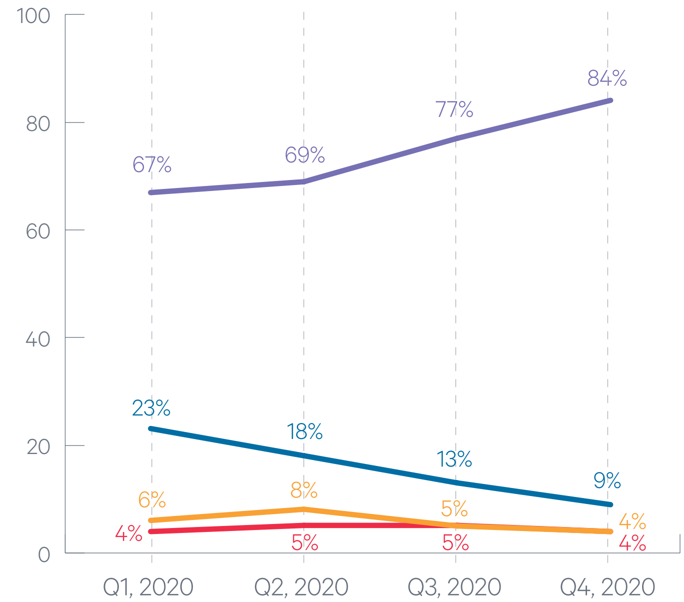
Sales proportion by quarter, type and channel for vapes

510 Thread Vape Cartridges | 510 Thread Vape Kits | Disposable Vape Pens | Proprietary Systems Vape Cartridges

OCS.ca



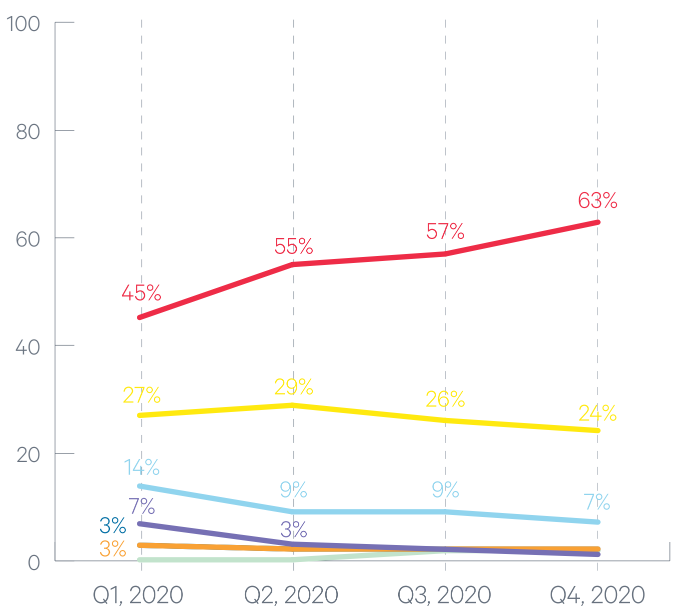
Retail Stores



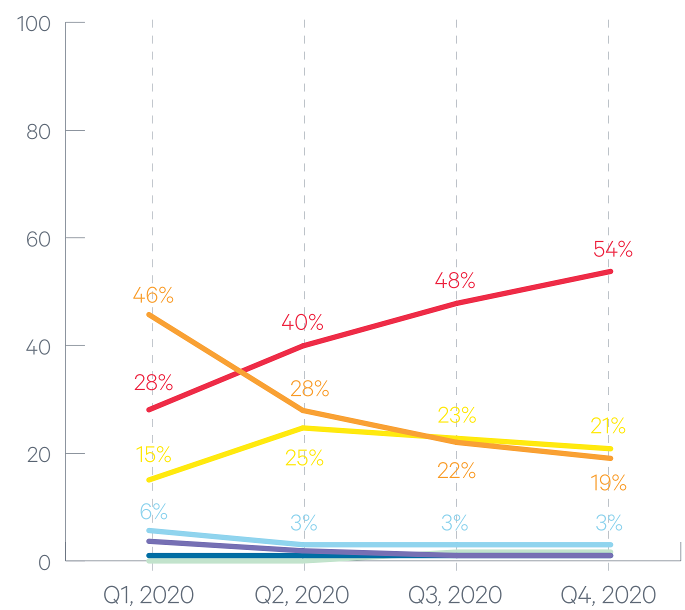
Sales proportion by quarter, type, and channel for edibles and beverages

Baked Goods | Chocolate | Hard Edibles | Soft Chews | Cold Beverages | Dealcoholized Drinks | Hot Beverages

OCS.ca



Retail Stores



Top five brands per category based on sales January 1, 2021 – March 31, 2021

OCS.ca

Beverages

Tweed	26%
Everie	12%
Houseplant	12%
Haven St.	9%
The Green Organic Dutchman	6%

Concentrates

Original Stash	26%
Canna Farms	18%
JWC	15%
48North	14%
Hiway	5%

Edibles

Bhang	21%
Foray	20%
Aurora Drift	13%
Chowie Wowie	12%
Wana	7%

Pre-Rolls

Redecan	23%
Good Supply	18%
Solei	9%
Tantalus Labs	6%
Re-up	5%

Topicals

Tidal	30%
48North	26%
LivRelief	19%
Eve & Co.	11%
Latitude by 48North	5%

Capsules

Tweed	34%
Redecan	29%
Aurora	10%
Indiva	7%
Daily Special	6%

Dried Flower

Pure Sunfarms	15%
Redecan	12%
Good Supply	11%
Daily Special	11%
Edison Cannabis Co.	6%

Oils

Solei	31%
Redecan	27%
Symbl	7%
Tweed	4%
Twd	4%

Seeds

34 Street Seed Co.	57%
Tweed	22%
Pure Sunfarms	14%
Pristine	7%

Vapes

Redecan	16%
Good Supply	10%
Solei	9%
Foray	8%
Kolab Project	6%

Retail Stores

Beverages

Tweed	15%
Houseplant	15%
Deep Space	11%
Everie	10%
XMG	8%

Concentrates

Original Stash	21%
48North	17%
Canna Farms	14%
San Rafael '71	9%
Blendcraft	8%

Edibles

Bhang	19%
Wana	17%
Aurora Drift	13%
Affirma	11%
Foray	9%

Pre-Rolls

Good Supply	17%
Redecan	17%
RIFF	13%
Solei	8%
Trailblazer	6%

Topicals

48North	27%
Tidal	26%
LivRelief	19%
Eve & Co.	18%
Latitude by 48North	5%

Capsules

Redecan	64%
Tweed	16%
Daily Special	5%
Aurora	4%
Solei	3%

Dried Flower

Pure Sunfarms	15%
Redecan	11%
Good Supply	11%
Daily Special	7%
Edison Cannabis Co	6%

Oils

Redecan	46%
Solei	21%
Pure Sunfarms	7%
Symbl	4%
MediPharm Labs	4%

Seeds

34 Street Seed Co.	61%
Tweed	16%
Pure Sunfarms	15%
Pristine	8%

Vapes

Redecan	18%
Good Supply	17%
Daily Special	7%
Back Forty	6%
Foray	5%

For a list of top twenty brands please see Appendix A. Note: Sales market share by category indicated is for the fiscal year and may differ from point in time snapshots were available to Licensed Producers through the OCS Data Program before the year fully closed.

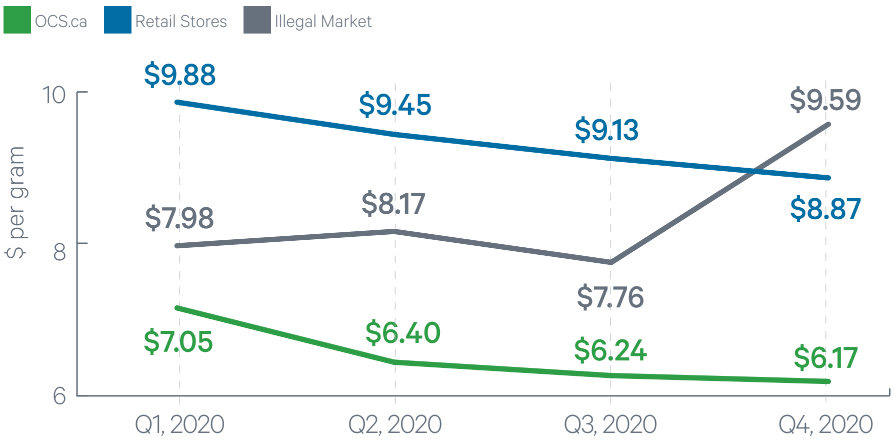
PRICING

This past year, the average price per gram for dried flower in the legal market continued to show progress with OCS.ca decreasing to $6.17 per gram and retail stores reducing to $8.87 per gram by the end of the fourth quarter. Prices found on the illegal market through analysis of online sellers increased by $1.83 per gram to $9.59. This may be reflective of various factors including the increased availability of premium quality large format dried flower products available on illegal sites as well as the removal of illegal sites. In the legal market, value-priced, bulk offerings at 14, 15 and 28 grams gave consumers access to quality cannabis at competitive pricing and grew from 12 to 84 SKUs this past year. The gap for premium quality, large format dried flower will begin to close in the months ahead as demand for these products emerge.

There is a clear split between consumers who purchase through OCS.ca versus those who purchase at retail stores for dried flower. On OCS.ca, products priced between $3 and $6.50 per gram, sold 3 times faster than those at the higher end of the scale between $20.50 and $24 per gram. In retail stores products in the top end were sold at a slightly higher sales velocity of 1.7 than value products at 1.3. Various factors could influence this trend, including consumer education offered by budtenders, different characteristics of online shoppers or customers supporting local businesses. This suggests that consumers shopping through OCS.ca are more price sensitive.

Pricing of product categories are continuing to decline, while newer subcategories are fluctuating. Vape cartridges, capsules, beverages, pre-rolls, edibles, and hash are a few of the subcategories that have shown a decline in pricing compared to last quarter. Customers are shifting from being price-conscious to finding a balance between price and quality, which is informing a broader product catalogue.

Illegal market price per gram for dried flower



OCS.ca and retail store are weighted by sales and include taxes. Illegal market prices are unweighted and sourced through mail-order-marijuana sites.

Note: Change in illegal pricing may be reflective of various factors including the removal of illegal sites and an increased availability of premium quality large format dried flower products available on illegal sites.

Average price per gram across cannabis subcategories on OCS.ca

	Oct 1 – Dec 31, 2020	Jan 1 – March 31, 2021	
Baked Goods	**$5.26/g** (DFE)	**$5.26/g** (DFE)	–
Bath & Shower	N/A	**$2.67/g** (DFE)	
Beverages	**$1.93/g** (DFE)	**$1.82/g** (DFE)	↓
Capsules	**$35.13/g** (DFE)	**$27.09/g** (DFE)	↓
Cartridges	**$20.51/g** (DFE)	**$18.32/g** (DFE)	↓
Chocolates	**$5.66/g** (DFE)	**$5.33/g** (DFE)	↓
Confectionery	**$10.83/g** (DFE)	**$9.67/g** (DFE)	↓
Creams and Lotions	**$60.08/g** (DFE)	**$61.02/g** (DFE)	↑
Dried Flower	**$6.24/g** (DFE)	**$6.17/g** (DFE)	↓
Hash	**$6.15/g** (DFE)	**$4.93/g** (DFE)	↓
Kief and Sift	**$6.14/g** (DFE)	**$6.41/g** (DFE)	↑
Oils	**$20.49/g** (DFE)	**$74.36/g** (DFE)	↑
Pre-Rolls	**$9.02/g** (DFE)	**$8.87/g** (DFE)	↓
Resin and Rosin	**$16.18/g** (DFE)	**$17.22/g** (DFE)	↑
Shatter	**$22.42/g** (DFE)	**$15.73/g** (DFE)	↓
Seeds	**$11.94/seed**	**$12.20/seed**	↑
Wax	**$15.69/g** (DFE)	**$14.74/g** (DFE)	↓

Average prices are weighted by sales and include taxes. Dried flower equivalency (DFE) conversion can be found here. Note: Oils were formally changed to the extract category by Health Canada resulting in an increase when calculating DFE.

Sales velocity by price bucket for dried flower

OCS.ca		Retail Stores
3.0x	$3 – 6.50	1.3x
1.5x	$6.50 – 10	1.7x
0.8x	$10 – 13.50	1.3x
0.9x	$13.50 – 17	1.1x
1.1x	$17 – 20.50	1.0x
1.0x	$20.50 – 24	1.7x

Sales velocity references units sold per day for OCS.ca and units sold per day per average store for retail.

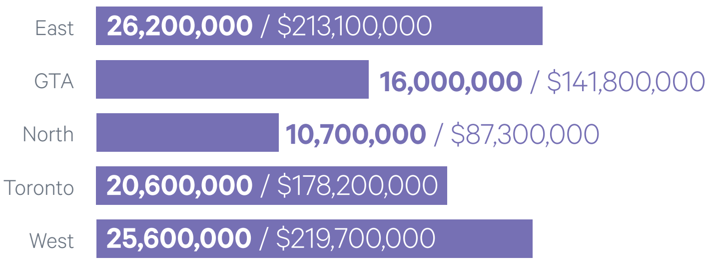
GROWING ACCESS POINTS

For the entire duration of the fourth quarter, Ontario continued to be challenged with the growing number of COVID-19 cases resulting in the implementation of public health measures that impacted retailers' ability to open. Despite the restrictions, Ontario was operating a total of 572 stores this fiscal year in 122 communities. Comparatively, Ontario opened 53 stores in 27 communities by the end of the last fiscal year.

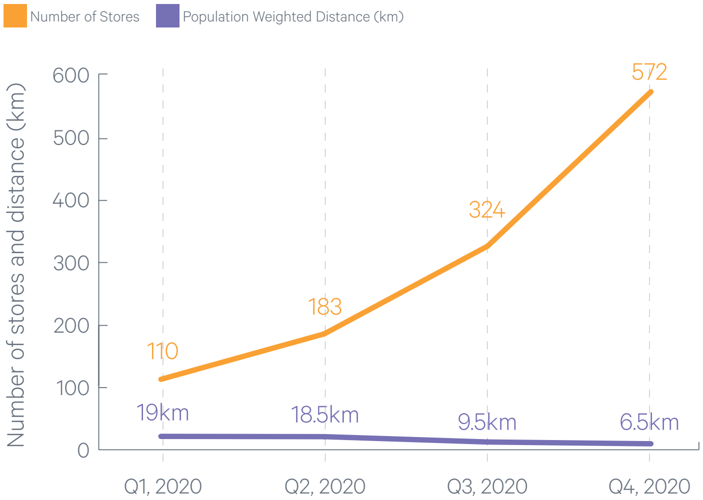
Western Ontario doubled the number of retail stores operating this quarter from 94 to operating 188 stores and leads total regional sales. Eastern Ontario follows with 123 stores and only a 2% difference in revenue. While the market continues to consistently see a concentration of stores in Toronto each quarter, progress is being made in decreasing the average distance for consumers to a retail store. Since the first quarter, this number has dropped from 19 to 6.5 kilometres indicating that smaller and unserved communities across Ontario are gaining access to legal cannabis.

Express 3-day delivery now services 78% of adults in Ontario, an increase of 111% since the end of the last fiscal year. OCS has limited barriers to purchase as a result of expanded delivery options as only 3% of visitors report shipping fees being too high and 8% who believe delivery takes too long.

Grams and sale sold by region

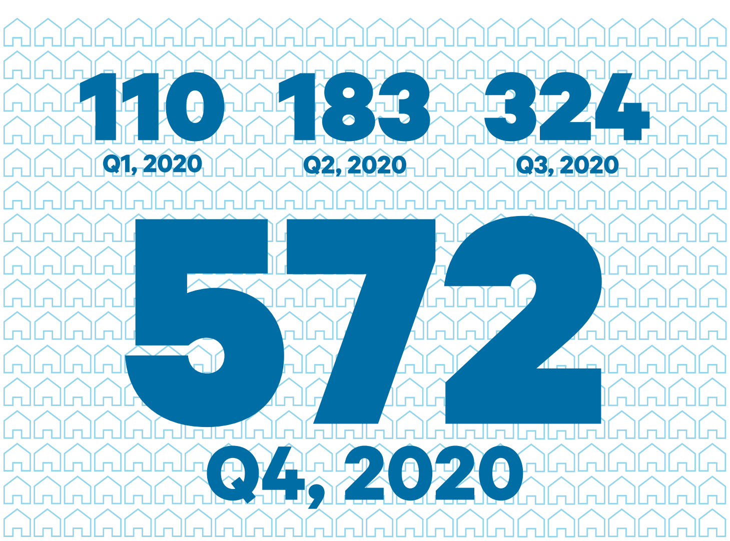


Average distance for consumers to a retail store

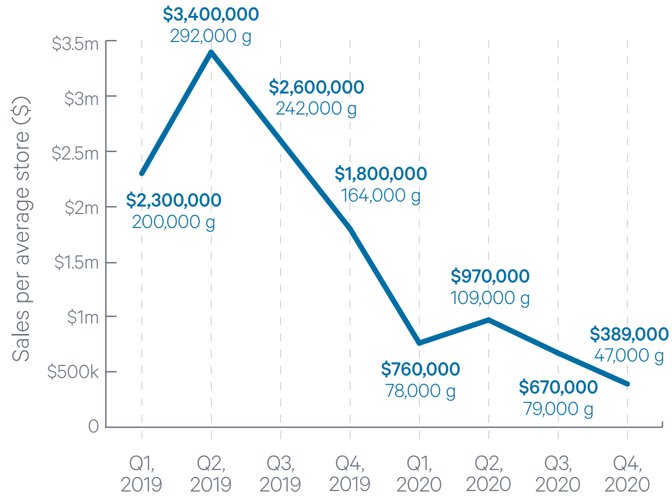


The average distance to a store decreased by 3 kilometres, with the number of stores increasing by 76.5% compared to last quarter. This demonstrates smaller and unserved communities opening more authorized retail stores.

Growing number of retail stores



Average sales and grams sold by a store

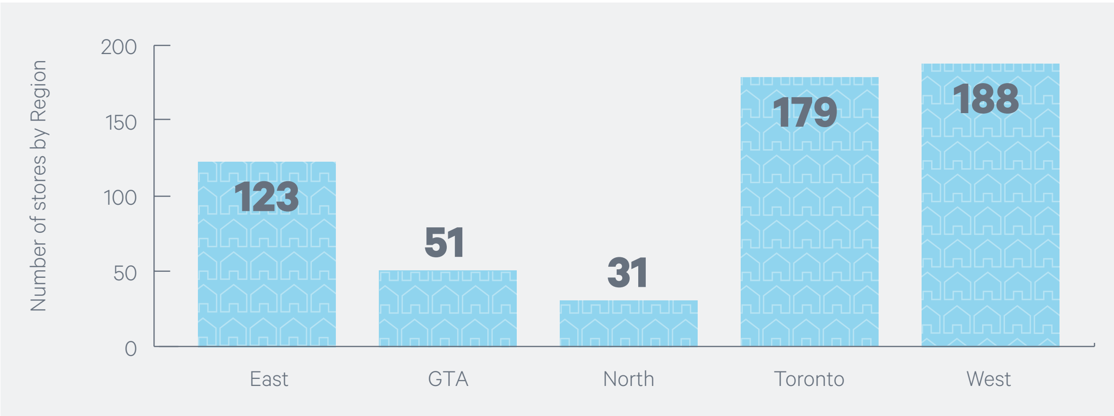


Note: Sales figures include cannabis products and accessories. Taxes (HST) are excluded.

Top ten retailers by store count As of March 31, 2021

Tokyo Smoke		**27**
Fire & Flower		**26**
Fire & Flower	11	
Friendly Stranger	10	
Happy Dayz	4	
Hotbox	1	
Sessions Cannabis		**25**
Spiritleaf		**25**
ShinyBud Cannabis Co.		**16**
Shiny Bud	14	
Budget Bud	2	
High Tide		**14**
Canna Cabana	9	
Meta Cannabis	5	
One Plant		**13**
Dutch Love		**12**
Cannabis Supply Company		**8**
The Hunny Pot Cannabis Co.		**7**

Number of stores by region and municipality



Number of Stores by Municipality

Acton	1
Ajax	1
Alliston	2
Amherstburg	2
Ancaster	1
Angus	1
Arnprior	1
Aurora	4
Bancroft	1
Barrie	10
Barry's Bay	1
Beamsville	1
Binbrook	1
Blenheim	2
Blind River	1
Bobcaygeon	1
Bowmanville	1
Bracebridge	1
Bradford	2
Brampton	10
Brantford	6
Bridgenorth	1
Brockville	2
Burlington	13
Caledonia	1
Cambridge	10
Carleton Place	1
Chatham	5
Cobourg	1
Collingwood	2
Cornwall	4
Crystal Beach	1
Deep River	1
Dryden	1
Dundas	2
Dunnville	1
Elliot Lake	1
Embrun	1
Essex	1
Fort Erie	2
Fort Frances	1
Gananoque	1
Georgetown	2
Gloucester	1
Grand Bend	1
Gravenhurst	1
Guelph	7
Haliburton	1
Hamilton	27
Hanover	1
Harrow	1
Hawkesbury	1
Huntsville	5
Innisfil	1
Kanata	4
Kapuskasing	1
Kenora	2
Kingston	6
Kitchener	8
Lakeshore	1
Leamington	1
Lindsay	1
Listowel	1
London	21
Midland	2
Milton	4
Nepean	6
Newcastle	2
Niagara Falls	7
North Bay	5
Northbrook	1
Orangeville	3
Orillia	5
Orleans	4
Oshawa	9
Ottawa	21
Owen Sound	3
Pembroke	6
Perth	1
Petawawa	2
Peterborough	5
Petrolia	1
Picton	2
Port Colborne	2
Port Elgin	1
Port Perry	1
Prescott	1
Rama	1
Red Lake	1
Renfrew	2
Richmond	1
Rockland	3
Sarnia	5
Sauble Beach	1
Sault Ste. Marie	5
Scotland	1
Shelburne	1
Simcoe	2
Smiths Falls	1
Southampton	1
Springwater	1
St Catharines	9
St Thomas	2
Stittsville	1
Stoney Creek	5
Stouffville	1
Stratford	3
Strathroy	1
Sudbury	4
Thunder Bay	7
Timmins	2
Toronto	179
Trenton	1
Uxbridge	1
Vanier	1
Wallaceburg	1
Waterdown	2
Waterloo	6
Welland	4
Whitchurch-Stouffville	1
Windsor	18
Woodstock	4

Conversion rate on OCS.ca

January 1, 2021 – March 31, 2021

Q4, 2020

10%

Q1, 2020 9.2% | Q2, 2020 9.1% | Q3, 2020 9.2%

Conversion rate is an important metric by which e-commerce businesses measure consumer demand on their platforms. For every 100 customers on OCS.ca, 10 made a transaction.

Population served by express shipping

Q4, 2020 **78%**

Q1, 2020 **64%** | Q2, 2020 **74%** | Q3, 2020 **78%**

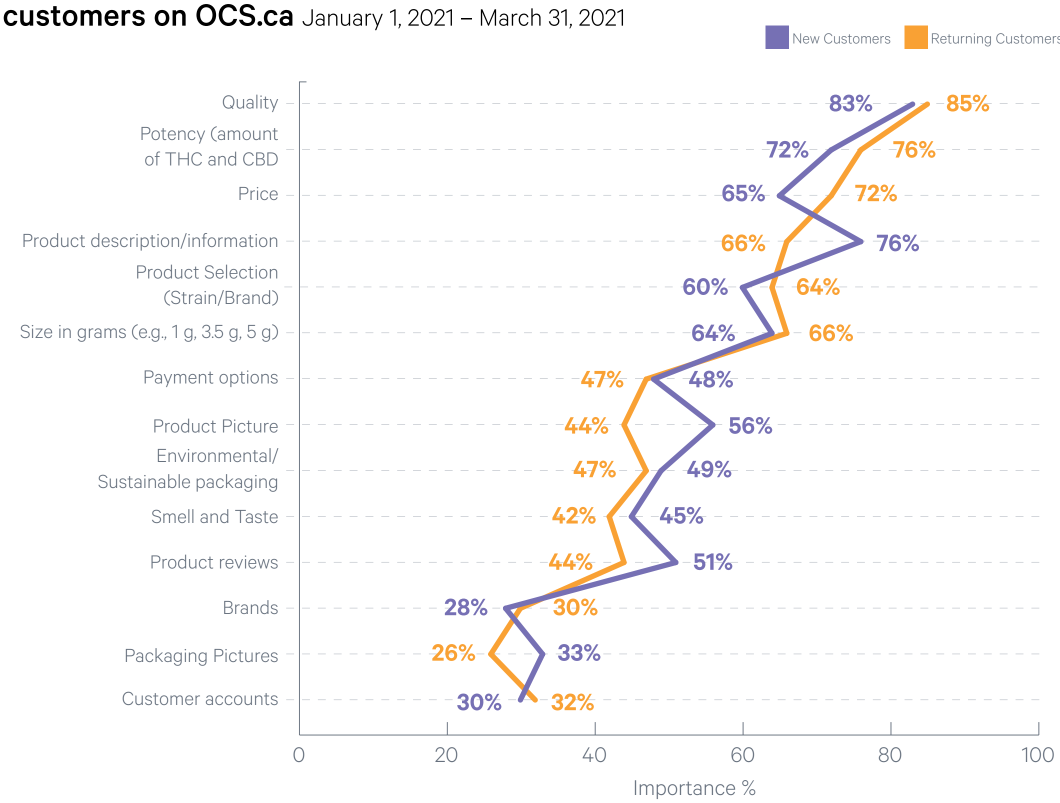
OCS.ca delivery was augmented by retailers offering delivery services while Ontario was under a state of emergency. The OCS continues to expand express delivery to additional communities across Ontario to provide consumers direct-to-door delivery within one to three business days.

Growth of new vs. returning visitors

Attributes most important to customers on OCS.ca January 1, 2021 – March 31, 2021

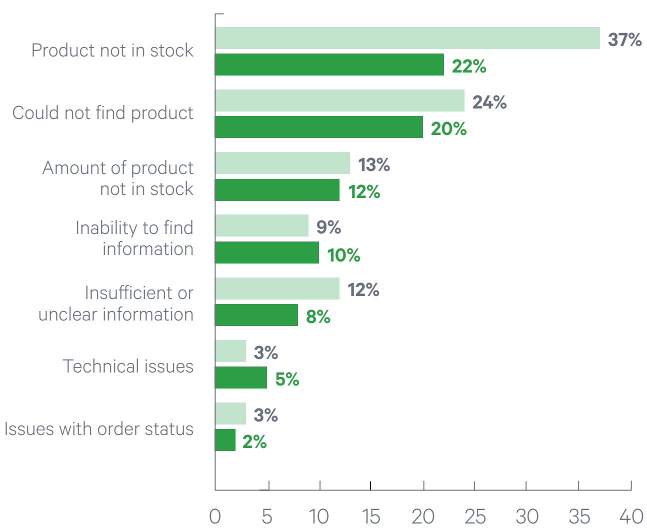
- Quality, potency, and price are the top three attributes that customers are looking for while purchasing cannabis. During this last fiscal year, 12% of customers reported issues with quality of cannabis. Dryness, stems, and underweight product are the main quality related concerns.
- New customers find product information to be more important compared to returning customers who value price as more important.

Source: OCS.ca survey by Emplifi

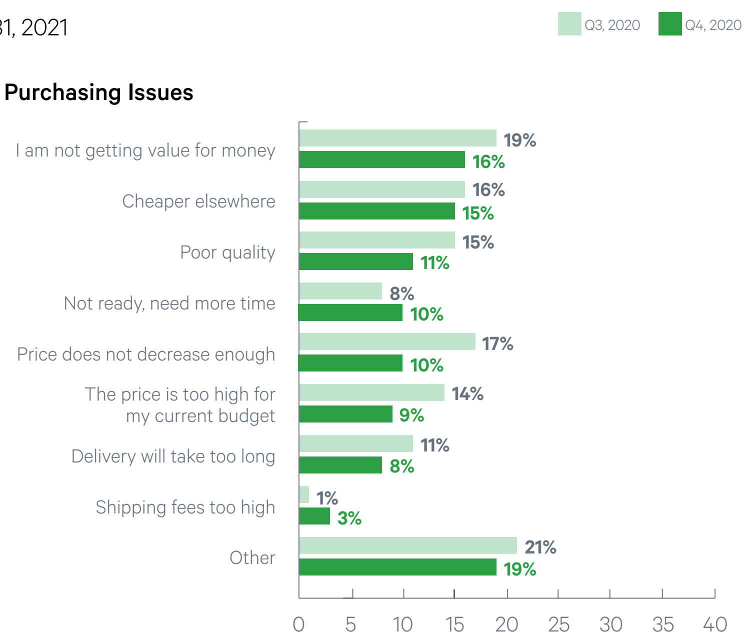


Barriers to purchasing on OCS.ca January 1, 2021 – March 31, 2021

Findability Issues



Purchasing Issues



- Stock issues decreased by 5% points compared to the previous year whereas assortment issues decreased by 10% points.
- Additionally, visitors reported a slight decrease in information related issues. These issues are mainly driven by visitors who want to learn more about extracts
- Three barriers to purchasing on OCS.ca included: price not decreasing to correlate with higher quantities (bulk pricing), customer can find cheaper products elsewhere, and poor-quality products.
- These top three barriers are mainly driven by those shopping for dried flower and extracts.

Source: OCS.ca survey by Emplifi

SUPPLY CHAIN

Through the course of the year the number of stores in Ontario rapidly increased with a total of 572 authorized retailer stores by the end of the fourth quarter. As the retail network expanded, OCS's distribution centre scaled operationally with over 4,800 wholesale orders in the fourth quarter. Order-to-ship lead time was 2.45 days, slightly faster than the first quarter with only 110 stores in operation. As greater automation is built out, the distribution centre will continue to support and improve the rapid growth of the retail network in Ontario.

Order-to-ship lead time for wholesale customers

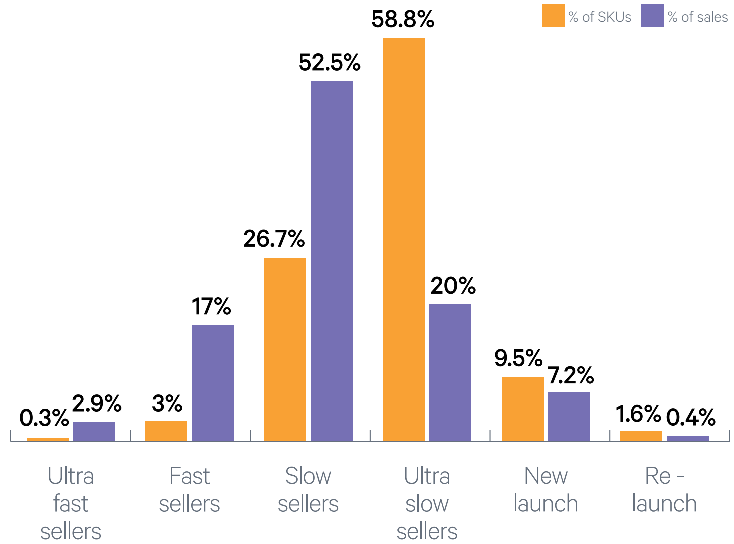
2.45 days

Note: Average since January 1 - March 31, 2021

Top ten SKUs by units sold

343,000 Bhang **THC MILK CHOCOLATE BAR** 330028_1x10g___	**254,000** Pure Sunfarms **PINK KUSH** 101557_3.5g___
230,000 Good Supply **ROYAL HIGHNESS PRE-ROLL** 100991_1x1g___	**229,000** Redecan **REDEES WAPPA PRE-ROLL** 101487_10x0.35g___
211,000 Redecan **REDEES COLD CREEK KUSH PRE-ROLL** 101483_10x0.35g___	**207,000** Bhang **THC DARK CHOCOLATE BAR** 330029_1x10g___
203,000 Good Supply **ROYAL HIGHNESS** 100990_3.5g___	**199,000** Good Supply **JEAN GUY PRE-ROLL** 100074_1x1g___
193,000 Redecan **WAPPA** 100225_3.5g___	**168,000** Deep Space **DEEP SPACE** 320025_1x222ml___

Selling classes of products January 1, 2021 – March 31, 2021



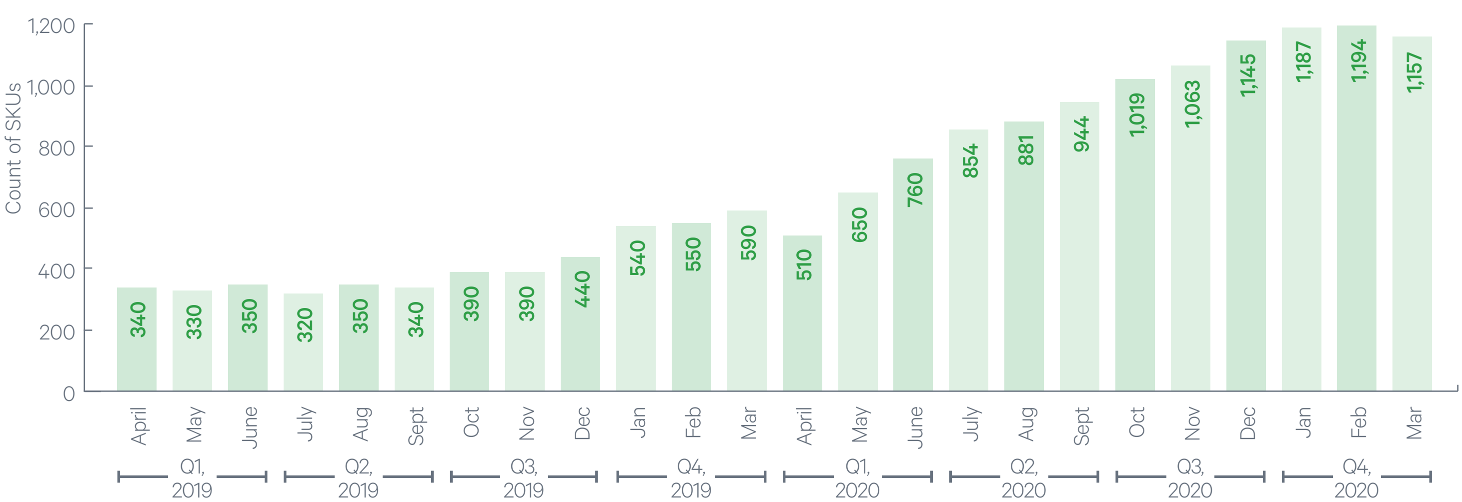
During the last quarter of the year, 3.3% of SKUs were classified as fast-selling products representing close to 20% of sales. Fewer SKUs were able to achieve high rate of sale per store as the store network and market grew. Note: SKU classes are based on the unit rate of sale for a SKU per store per week. Sales include Wholesale and excludes accessories.

Average SKU count per wholesale order

72	92*	65	76
Q1, 2020	Q2, 2020	Q3, 2020	Q4, 2020

*Revised data

Unique SKUs ordered by month



QUALITY ASSURANCE

The OCS Quality Assurance team ensures products introduced to the market follow Health Canada's guidelines for packaging and labelling, and conducts analysis based on returns and consumer complaints. Every product can be traced to where it has been legally produced.

The addition of 920 new SKUs, with the second-highest number being in the vape product category, requires a regulatory review for every product launch or labelling update. Vapes represented 72% of all product quality complaints received and demonstrate an opportunity for improvement. Feedback for all quality complaints is shared directly with Licensed Producers and only includes details specifically about product issues – dryness, weight, or packaging.

This past year 102 quality vendor audits were performed, a necessary step in the QA process that improves operational practices to drive consistent customer experiences with every product.

Regulatory reviews completed

1,370

Every product launch or labelling update is considered a regulatory review.

Total product quality complaints received

12,873

Product quality complaints include dryness, weight, and packaging issues. Feedback is shared and resolved with Licensed Producers. 72% of total product quality complaints received were vape related.

Vapes

9,359

Percent of returns by channel

OCS.ca	Retail Stores
0.15%	0.2%

Note: Includes product returns (not undelivered or shipping refunds) based on sales.

Number of quality vendor audits performed

102

13 ON-SITE

78 REMOTE

11 CATEGORY EXPANSION REVIEWS

Product quality recalls

No.	Date	Licensed Producer	Recall Issue	Product Category	Product Name	Product Lot(s)	Size
1	January 2021	Hexo Operations Inc.	Product Safety (Mechanical Defect)	Vapes - All-in-One Disposable vape pens	Hexo Blue Dream All-in-One Disposable Pen	All product lots that was distributed in Ontario	0.25g
					Hexo Trainwreck All-in-One Disposable Pen		0.25g
					Hexo Durban All-in-One Disposable Pen		0.25g
2	January 2021	TerrAscend Canada	Product Quality (Mould)	Edibles - Soft Chews	Haven St. Rise. No.570 (Wild Berry THC Infused Soft Chew)	All product lots that was distributed in Ontario	1 x 12g
					Haven St. Drift No. 470 (Sour Watermelon THC Infused Soft Chew)		1 x 12g
3	February 2021	We Grow BC Ltd.	Labelling and Packaging	Pre-rolls	QWEST Pineapple Cake	MC328A. 01A	2 x 0.5g
4	February 2021	Aurora Cannabis Enterprises	Labelling and Packaging	Extracts - Live Resin	San Rafael '71 OG Chemdawg	1104021000377	1g
						1104021000438	1g
5	March 2021	Mediwanna	Labelling and Packaging	Pre-rolls	ELIOS Pink Lemonade	PR5ZCUM	3 x 0.5g

Note: Includes Health Canada reported recalls.

APPENDIX

Top twenty brands on OCS.ca

Beverages

Tweed	26%
Everie	12%
Houseplant	12%
Haven St. Premium Cannabis	9%
The Green Organic Dutchman	6%
Quatreau	5%
Deep Space	5%
Mollo	4%
Little Victory	4%
Ripple by The Green Organic Dutchman	3%
Summit	3%
House of Terpenes	2%
Basecamp	2%
Edison Re:Mix	2%
XMG	2%
Veryvell	2%
Aurora Drift	1%
THC BioMed	1%

Capsules

Tweed	34%
Redecan	29%
Aurora	10%
Indiva	7%
Daily Special	6%
Solei	5%
Vertical	4%
Dosecann	2%
San Rafael '71	1%
Emprise Canada	1%
Kin Slips	1%
Being	0%
LBS	0%
Mood Ring	0%
DNA Genetics	0%

Concentrates

Original Stash	26%
Canna Farms	18%
JWC	15%
48North	14%
Hiway	5%
San Rafael '71	3%
Tantalus Labs	3%
Blendcraft	3%
Fireside X	3%
The Batch	2%
Greybeard	2%
BIG	1%
Fume TR Signature	1%
Acreage Pharms	1%
7ACRES	1%
Premium 5	1%
Verse Concentrates	1%
Good Buds Company	<1%
Labs Cannabis	<1%
Good Supply	<1%

Dried Flower

Pure Sunfarms	15%
Redecan	12%
Good Supply	11%
Daily Special	11%
Edison Cannabis Co	6%
TWD.	5%
Hexo	5%
Tweed	4%
RIFF	3%
Namaste	3%
Original Stash	3%
San Rafael '71	3%
Color Cannabis	3%
Solei	3%
Aurora	2%
7ACRES	2%
BINGO	2%
Spinach	2%
Twd.28	2%
Trailblazer	2%

Edibles

Bhang	21%
Foray	20%
Aurora Drift	13%
Chowie Wowie	12%
Wana	7%
San Rafael '71	5%
Affirma	5%
Legend - Powered by Indiva	3%
Goodship	2%
Tweed	2%
Edison Bytes	2%
Kolab Project	1%
Fireside	1%
Legend – Powered by Indiva	1%
Tokyo Smoke	1%
TWD.	1%
Haven St. Premium Cannabis	1%
Olli Brands Inc.	1%
Ace Valley	1%
Trailblazer Snax	<1%

Oils

Solei	31%
Redecan	27%
Symbl	7%
Tweed	4%
Twd	4%
Five Founders	4%
Dosecann	3%
Pure Sunfarms	3%
CANACA	3%
Northern Harvest	2%
MediPharm Labs	2%
COVE	2%
Sugar Leaf	2%
Vertical	1%
Blissed	1%
Veryvell	1%
Blissco	1%
Verse Originals	1%
RIFF	1%
Kiwi Cannabis	1%

Pre-Rolled

Redecan	23%
Good Supply	18%
Solei	9%
Tantalus Labs	6%
Re-up	5%
RIFF	5%
Edison Cannabis Co	4%
Aurora	4%
TWD.	3%
Namaste	3%
Tweed	3%
JWC	3%
Trailblazer	2%
Hiway	2%
Pure Sunfarms	2%
Ace Valley	2%
48North	2%
Station House	2%
CANACA	2%
COVE	1%

Seeds

34 Street Seed Co.	57%
Tweed	22%
Pure Sunfarms	14%
Pristine	7%

Topicals

Tidal	30%
48North	26%
LivRelief	19%
Eve & Co.	11%
Latitude by 48North	5%
Solei	4%
Axea	3%
Apothecary Labs	1%
Proofly	0%

Vapes

Redecan	16%
Good Supply	10%
Solei	9%
Foray	8%
Kolab Project	6%
CANACA	6%
Hexo	5%
FIGR	5%
Sundial	5%
Daily Special	4%
Back Forty	3%
dosist	3%
San Rafael '71	3%
Wayfarer	3%
Verse Originals	3%
Aurora Drift	3%
Pure Sunfarms	2%
TWD.	2%
Trailblazer	2%
Palmetto	2%

Top twenty brands in retail stores

Beverages

Tweed	15%
Houseplant	15%
Deep Space	11%
Everie	10%
XMG	8%
Little Victory	6%
Quatreau	5%
House of Terpenes	5%
Mollo	5%
Haven St. Premium Cannabis	5%
The Green Organic Dutchman	3%
Ripple by The Green Organic Dutchman	3%
Aurora Drift	2%
Summit	2%
Basecamp	2%
Veryvell	1%
THC BioMed	1%
Edison Re:Mix	<1%

Capsules

Redecan	64%
Tweed	16%
Daily Special	5%
Aurora	4%
Solei	3%
Indiva	2%
Kin Slips	1%
Vertical	1%
Being	1%
Dosecann	<1%
San Rafael '71	<1%
Mood Ring	<1%
DNA Genetics	<1%
LBS	<1%
Emprise Canada	<1%
AltaVie	<1%
Houseplant	<1%

Concentrates

Original Stash	21%
48North	17%
Canna Farms	14%
San Rafael '71	9%
Blendcraft	8%
Hiway	7%
JWC	6%
Fireside X	5%
Greybeard	4%
7ACRES	2%
BIG	1%
Fume TR Signature	1%
Tantalus Labs	1%
Verse Concentrates	1%
The Batch	1%
Acreage Pharms	1%
Good Buds Company	1%
Premium 5	1%
Good Supply	1%
Labs Cannabis	<1%

Dried Flower

Pure Sunfarms	15%
Redecan	11%
Good Supply	11%
Daily Special	7%
Edison Cannabis Co	6%
RIFF	5%
TWD.	5%
Color Cannabis	5%
7ACRES	5%
Namaste	4%
Haven St. Premium Cannabis	4%
Spinach	3%
Tweed	3%
DNA Genetics	3%
Solei	2%
San Rafael '71	2%
Broken Coast	2%
LBS	2%
Aurora	2%
CANACA	2%

Edibles

Bhang	19%
Wana	17%
Aurora Drift	13%
Affirma	11%
Foray	9%
San Rafael '71	8%
Chowie Wowie	8%
Legend - Powered by Indiva	3%
Tweed	2%
Ace Valley	2%
Edison Bytes	2%
Kolab Project	1%
Legend – Powered by Indiva	1%
Fireside	1%
Goodship	1%
Trailblazer Snax	1%
Tokyo Smoke	1%
TWD.	1%
Haven St. Premium Cannabis	<1%
Olli Brands Inc.	<1%

Oils

Redecan	46%
Solei	21%
Pure Sunfarms	7%
Symbl	4%
MediPharm Labs	4%
Veryvell	2%
Twd	2%
Tweed	2%
COVE	2%
RIFF	2%
Dosecann	1%
Vertical	1%
Aurora Drift	1%
CANACA	1%
Blissed	1%
Northern Harvest	1%
Blissco	1%
Five Founders	1%
Emerald	1%
Edison Cannabis Co	<1%

Pre-Rolled

Good Supply	17%
Redecan	17%
RIFF	13%
Solei	8%
Trailblazer	6%
Edison Cannabis Co	5%
Broken Coast	4%
7ACRES	3%
48North	3%
Tantalus Labs	3%
Spinach	3%
Ace Valley	2%
Tweed	2%
TWD.	2%
Color Cannabis	2%
Citizen Stash	2%
Pure Sunfarms	2%
CANACA	2%
Msiku	2%
Simply Bare	2%

Seeds

34 Street Seed Co.	61%
Tweed	16%
Pure Sunfarms	15%
Pristine	8%

Topicals

48North	27%
Tidal	26%
LivRelief	19%
Eve & Co.	18%
Latitude by 48North	5%
Solei	3%
Apothecary Labs	1%
Axea	1%
Proofly	<1%

Vapes

Redecan	18%
Good Supply	17%
Daily Special	7%
Back Forty	6%
Foray	5%
Kolab Project	5%
CANACA	4%
Pure Sunfarms	4%
Solei	4%
Hexo	4%
Ace Valley	3%
San Rafael '71	2%
Sundial	3%
Trailblazer	2%
RIFF	2%
MARLEY NATURAL	2%
Aurora Drift	2%
TWD.	2%
Wayfarer	2%
dosist	2%
General Admission	1%
FIGR	1%
Top Leaf	1%
48North	1%
BINGO	1%
Spinach	1%
Verse Originals	1%

Top ten stores by retail sales

January 1, 2021 – March 31, 2021

Region	Rank	Store	Location
TORONTO	1	MaryJane's Cannabis	Etobicoke
	2	Shiny Bud Inc	North York
	3	Canvas Retail Inc. (Danforth)	Toronto
	4	Tokyo Smoke (333 Yonge)	Toronto
	5	Lakeview Cannabis	Etobicoke
	6	Spiritleaf (2389 Bloor)	Toronto
	7	Budders Cannabis	Toronto
	8	Your Local Cannabis	Scarborough
	9	Spiritleaf	North York
	10	Pufftastic Cannabis	Scarborough

Region	Rank	Store	Location
EAST	1	Calyx and Trichomes	Kingston
	2	One Plant	Barrie
	3	Stash and Co.	Ottawa
	4	One Plant	Barrhaven
	5	Dutch Love	Nepean
	6	One Plant	Bradford
	7	Fire & Flower (York St.)	Ottawa
	8	Growers Retail	Peterborough
	9	The Oz Store	Orleans
	10	Dutch Love (Clarence St.)	Ottawa

Region	Rank	Store	Location
NORTH	1	High Life	Sudbury
	2	Kana Leaf	North Bay
	3	Sessions Cannabis	Timmins
	4	Tokyo Smoke	Thunder Bay
	5	Cheerful Charlie's	North Bay
	6	J. Supply Co.	Thunder Bay
	7	Canna Cabana	Sudbury
	8	Dutch Love	Timmins
	9	Happy Life	Sudbury
	10	Hello Cannabis	Sault Ste. Marie

Region	Rank	Store	Location
GTA	1	Ganjika House	Brampton
	2	One Plant	Ajax
	3	Tokyo Smoke	Oshawa
	4	Dutch Love	Brampton
	5	One Plant	Stouffville
	6	Jane's Cannabis Shop	Aurora
	7	Relm	Burlington
	8	Cannaco - The Cannabis Company	Milton
	9	Paramount Cannabis Co.	Burlington
	10	Friendly Stranger	Oshawa

Region	Rank	Store	Location
WEST	1	Tweed	London
	2	The Niagara Herbalist	St. Catharines
	3	Meta Cannabis Co	Kitchener
	4	Spiritleaf	Guelph
	5	Canna Cabana	Waterloo
	6	Canna Cabana	Hamilton
	7	Crossroads Cannabis	Woodstock
	8	Tokyo Smoke	Cambridge
	9	Tokyo Smoke	London
	10	Cabbage Brothers	Dundas

Correction: A previous version of this report misidentified the top retail store by sales in Toronto as MaryJane's Cannabis, North York. This has been updated to MaryJane's Cannabis, Etobicoke.

OCS

ocs.ca