

STATE OF THE CANNABIS ECONOMY

AN INSIDE LOOK



VANGST

INTRODUCTION

During the Covid-19 pandemic, cannabis businesses were declared "essential" in most legal states, meaning they could stay open like pharmacies and grocery stores. Sales boomed in 2020 and much of 2021, giving cannabis businesses a false sense of security in a recessive climate.

Responding to the demand and perhaps operating under the assumption the boom would last, many cannabis businesses doubled-down on their spending and increased headcount.

Recent months have proven, however, that cannabis isn't "recession proof." And regardless of experience, cannabis professionals are being forced to navigate their businesses through uncharted waters in real time.

You can see the effects of this through mass layoffs seemingly monthly, including at some of the biggest names in the industry, as well as through plummeting wholesale prices, poor SEC filings and rock-bottom fund returns.

It seems these days as if nobody is safe.

But whether or not we're already in a recession is still hotly debated, as most indicators and many experts point to some sort of downturn at the very least in our near future.

The cannabis industry has proven itself resilient from Day 1 of legalization; but the challenge the sector now faces is a true stress test. Businesses are getting creative like they've never had to with strategies as they navigate these uncertain times.

There's never been a better time to check the pulse of business leaders in the cannabis space.

And that's exactly what we did in our 2022 Cannabis Industry Salary Guide survey that closed in September. We asked business leaders to forecast their sales, capital spending, and hiring over the next 12 months. We then asked them to tell us how they feel about the current state of the national economy as well as that of the cannabis economy.

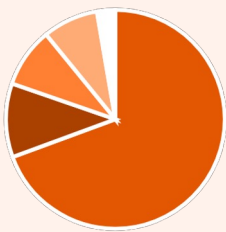
In this white paper, we analyze those results, contrasting them with the sentiment of business leaders in the "traditional" business space. We also offer key, actionable insights that will help guide any cannabis company to success in this, yes, unprecedented climate.

We hope cannabis operators find this analysis both informative and helpful as they navigate the coming year, and that analysts, journalists, and other industry observers find it a useful tool as they try to make sense of this dynamic industry.

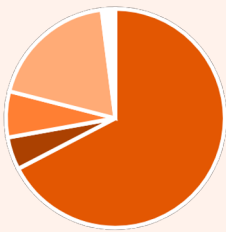
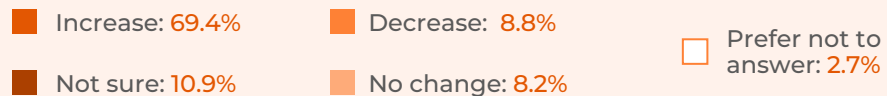
The full 2022 Vangst Cannabis Industry Salary Guide will be available to the public in early 2023.

AN OPTIMISTIC INDUSTRY

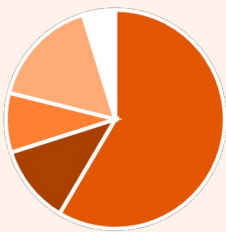
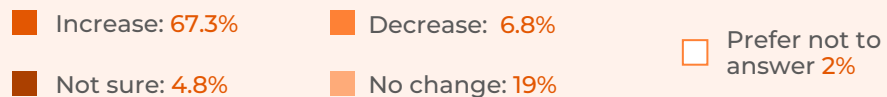
A majority of cannabis leaders who responded to our 2022 Vangst Cannabis Industry Salary Guide survey are bullish about their own companies' prospects in 2023. And we're not talking small majorities. By large margins, cannabis leaders told us that they expect sales, capital spending, and hiring to increase over the next 12 months.



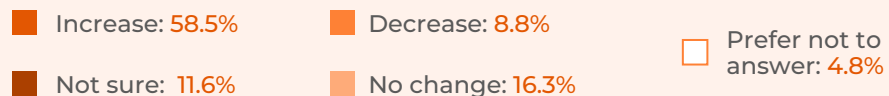
HOW DO YOU EXPECT YOUR COMPANY'S SALES TO CHANGE IN THE NEXT YEAR?



HOW DO YOU EXPECT YOUR COMPANY'S OVERALL U.S. EMPLOYMENT TO CHANGE IN THE NEXT YEAR?



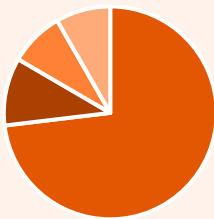
HOW DO YOU EXPECT YOUR COMPANY'S U.S. CAPITAL SPENDING TO CHANGE IN THE NEXT YEAR?



SOURCE: Vangst 2022 Cannabis Industry Salary Guide survey data (not yet released)

A CANNABIS CONTRADICTION

Those same leaders, however, are bearish on the overall U.S. economy, as well as the overall cannabis economy. A large majority of respondents told us that *U.S. economic* conditions are worse than they were a year ago, and an even larger majority said that economic conditions *in cannabis* are worse than they were a year ago.



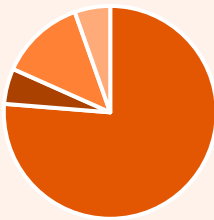
WHAT IS YOUR OVERALL VIEW OF THE U.S. ECONOMY?

Economic conditions are **worse** than they were a year ago: **73.1%**

Not sure: **10.3%**

Economic conditions are **better** than they were a year ago: **8.3%**

Prefer not to answer: **8.3%**



WHAT IS YOUR OVERALL VIEW OF THE CANNABIS ECONOMY?

Economic conditions are **worse** than they were a year ago: **76.2%**

Not sure: **5.4%**

Economic conditions are **better** than they were a year ago: **12.9%**

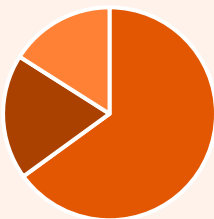
Prefer not to answer: **5.4%**

SOURCE: Vangst 2022 Cannabis Industry Salary Guide survey data (not yet released)

MAINSTREAM COMPARISON

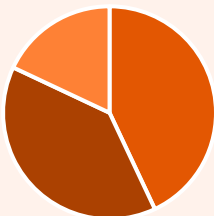
Business Roundtable, an association of CEOs who lead some the biggest companies in the U.S., has been surveying its members since 2002 to produce its quarterly CEO Economic Outlook Index. The most recent report, compiled from August 12 through September 7, and released in September 2022, provides a point of comparison to the data Vangst collected from August 10 through September 21. The major difference here is that Business Roundtable members were asked to look out six months, while we asked cannabis execs to think a full year ahead.

As you can see, CEOs of more “traditional” businesses are much less optimistic about their own companies’ prospects.



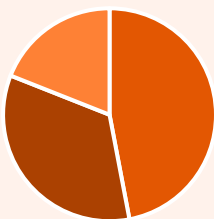
HOW DO YOU EXPECT YOUR COMPANY'S SALES TO CHANGE IN THE NEXT SIX MONTHS?

■ Increase: 65% ■ No change: 19% ■ Decrease: 16%



HOW DO YOU EXPECT YOUR COMPANY'S U.S. CAPITAL SPENDING TO CHANGE IN THE NEXT SIX MONTHS?

■ Increase: 43% ■ No change: 39% ■ Decrease: 18%



HOW DO YOU EXPECT YOUR COMPANY'S U.S. EMPLOYMENT TO CHANGE IN THE NEXT SIX MONTHS?*

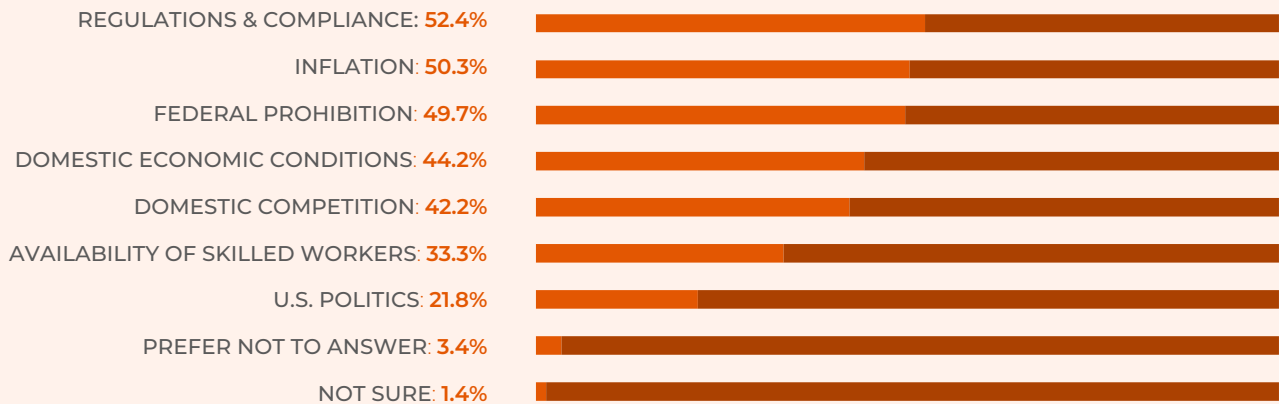
■ Increase: 47% ■ No change: 34% ■ Decrease: 19%

*SOURCE: [Business Roundtable](#)

SIMILAR CHALLENGES

Despite the different economic outlooks — and unique challenges that face cannabis (like U.S. Tax Code 280E) — the sector shares similar challenges to mainstream business, according to Vangst survey data and J.P.Morgan Chase's midyear 2022 Business Leaders Outlook Pulse Survey, which was released in June 2022. Inflation, labor, and an uncertain economy are all major concerns for many leaders across sectors.

WHAT ARE THE TOP CHALLENGES FACING **CANNABIS** ORGANIZATIONS?



SOURCE: Vangst 2022 Cannabis Industry Salary Guide survey data (not yet released)

WHAT ARE THE TOP CHALLENGES FACING ORGANIZATIONS **OUTSIDE OF CANNABIS**?



SOURCE: [J.P.Morgan Chase 2022 Business Leaders Outlook Pulse Survey](#)

REASON FOR OPTIMISM

There's a likely explanation for the disparity between cannabis optimism and mainstream pessimism: Adversity is nothing new to the cannabis industry. Since the first day of legal, regulated cannabis sales, the industry has faced challenges unlike any other. From compliance to banking and taxes, there is no other industry that is so frequently forced to "make lemons into lemonade" when it comes to operations.

But if cannabis layoffs, stock prices, and fund returns show us anything, it's that cannabis is not immune to larger macroeconomic conditions.

Vangst Founder and CEO Karson Humiston recently laid out her thoughts on the cannabis sector and any coming recession.

- Cannabis already went through a "canna-cession" in 2019. The best cannabis businesses quickly cut fat, focused deeply on fundamentals and are thriving today. The worst cannabis companies died.
- Due to federal regulations, access to capital has always been tough for cannabis businesses. Since most companies have never had the luxury of unlimited capital, cannabis has always been a scrappy industry — one that has been primed to be more prepared than any other industry should we enter a recession.
- Any coming recession is just another reminder that cannabis leaders should be building profitable businesses that are not reliant on endless rounds of funding.
- The cannabis industry has massive tailwinds — another advantage that other sectors don't have. New states are opening up legal cannabis programs every year, more consumers are entering the market, and legislation has positive momentum.

KEY TAKEAWAYS

CANNABIS LEADERS ARE BULLISH ON THE FUTURE OF THEIR BUSINESSES

Large majorities of the executives who responded to the 2022 Vangst Cannabis Industry Salary Guide survey believe that their sales, capital expenditures, and hiring will increase in the coming year.

THOSE SAME LEADERS ARE BEARISH ON THE OVERALL ECONOMY

Most executives who responded to our survey say overall U.S. economic conditions are worse than they were a year ago. Even more say that, overall, economic conditions are worse in the cannabis industry than they were a year ago.

LEADERS OF MORE “TRADITIONAL” BUSINESSES TAKE A DIMMER VIEW

Fewer than half of Business Roundtable members see their capital spending or hiring to grow in the next six months (compared to nearly 70% at surveyed cannabis companies). Only 65% think their sales will increase (compared to 69% of cannabis leaders).

CANNABIS & TRADITIONAL COMPANIES FACE SIMILAR CHALLENGES

While cannabis companies face troubles a mainstream business could never imagine — like 80% effective tax rates thanks to U.S. Tax Code 280E — inflation, labor, and an uncertain national economy are all big worries for business leaders, no matter their industry.

THIS ISN'T OUR FIRST RODEO

The cannabis industry has been through this before; and it came out stronger than it was when it entered. The unique challenges plant-touching and ancillary companies face have better prepared this sector for an economic downturn than probably any other.

KNOW YOUR WORKFORCE

Vangst regularly releases insights and analyses so that you can better understand the fast-moving cannabis landscape. Our Cannabis Industry Salary Guide is widely recognized as the authority on industry pay trends. Our 2022 Guide with an expanded focus on ancillary roles will be released in January. To take a deeper dive today, click [here](#) to download the 2021 guide.



ACKNOWLEDGEMENTS

Thank you to our employees, partners, friends, survey participants, Business Roundtable, J.P.Morgan Trust, and all of the professionals and companies that make us Proud to Work in Cannabis.

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