

CV Sciences

October 2023



+PlusCBD™



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Company Overview

- Highly trusted brand in market for 10 years, launched flagship brand **+PlusCBD** in 2014.
- One of the largest retail footprints in the industry with 4,000+ points of distribution in the U.S.
- Strong ecommerce operation supporting Omni-channel strategy.
- #1 Selling Brand in Natural Product Retail (NPR) channel.
- Industry leader in Science, Regulatory & Quality Manufacturing.
- Sponsored or participated in 8 published scientific studies.
- cGMP compliant with robust Quality Management System and Adverse Event Reporting / Completed self-affirmed GRAS in 2018.
- Highly leverageable brand/distribution assets with asset light operating model.
- Growth opportunities include extension of “health and wellness” product offering, and sales channel expansion for international opportunities.

Brand Overview

	Distribution	Description	Images
+PlusCBD	4,000+ B2B locations, E-commerce	In Market since 2014, includes Full Spectrum & THC-free Formats include gummies, softgels, liquids and topicals	
Wellness line	4,000+ B2B locations, E-commerce	In Market since 2021, products include health claims Formats include gummies, softgels and topicals	
Reserve line	4,000+ B2B locations, E-commerce	In Market since 2021, hemp-based, low-dose THC forward products Formats include gummies and softgels	

Sales Model – Omnichannel Strategy

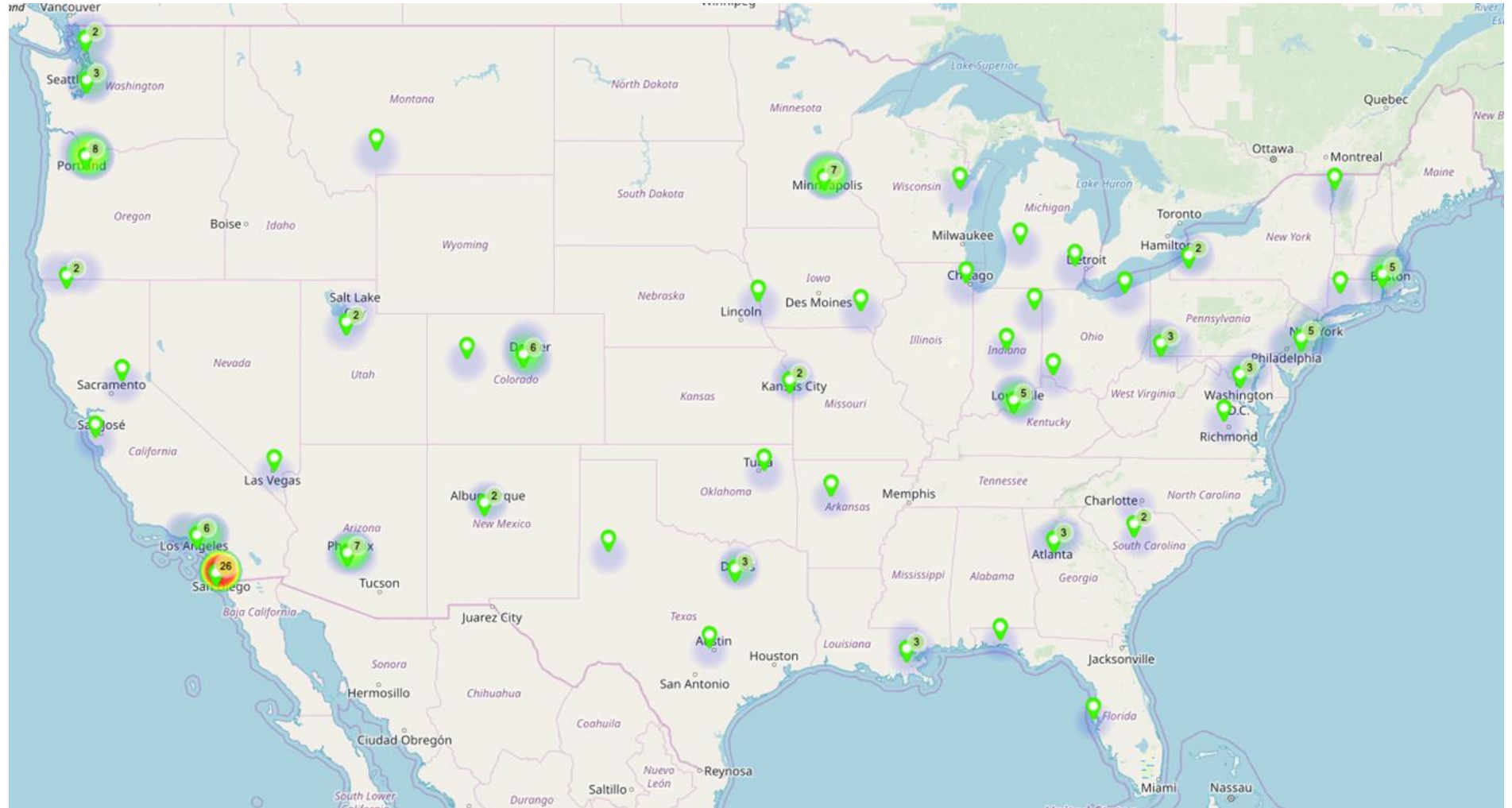
B2B & B2C

Distribution

- All brands are distributed in B2B and B2C.
- B2B distribution includes Natural Product Retail (2,000+ locations), FDM (1,000+ locations & Specialty (1,000+ locations).
- Sales model includes external broker network for NPR channel, internal sales staff supporting all channels.
- Strong, scalable ecommerce operation supporting Omni-channel strategy.

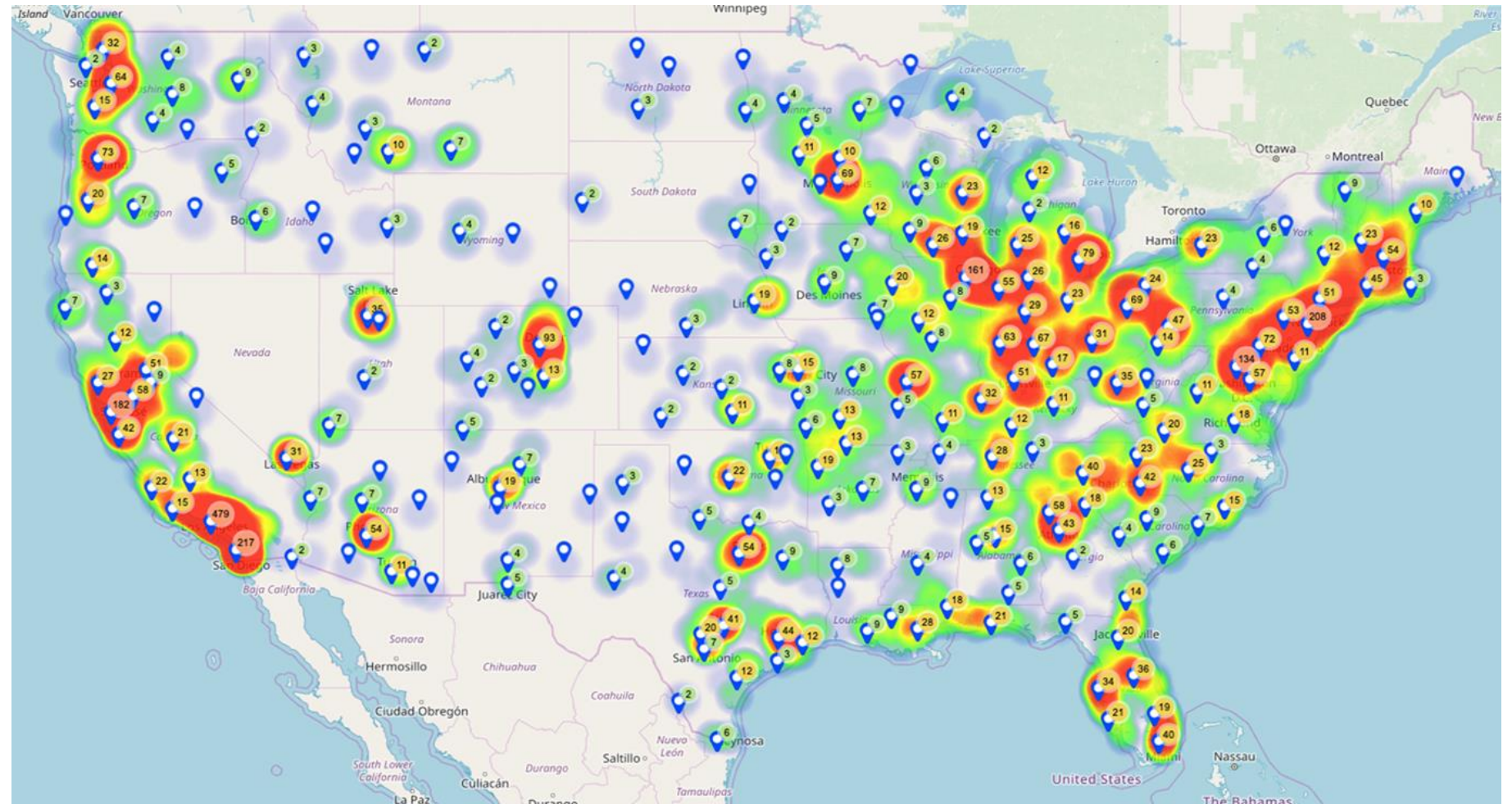
B2B - Sales Model

- **Broker relationships covering all U.S. markets**
- **Relationships with “buyers” and “consumers”**
- **Keeps us very close to the customer**



B2B - Sales Model

- Strongest B2B retail penetration for CBD industry

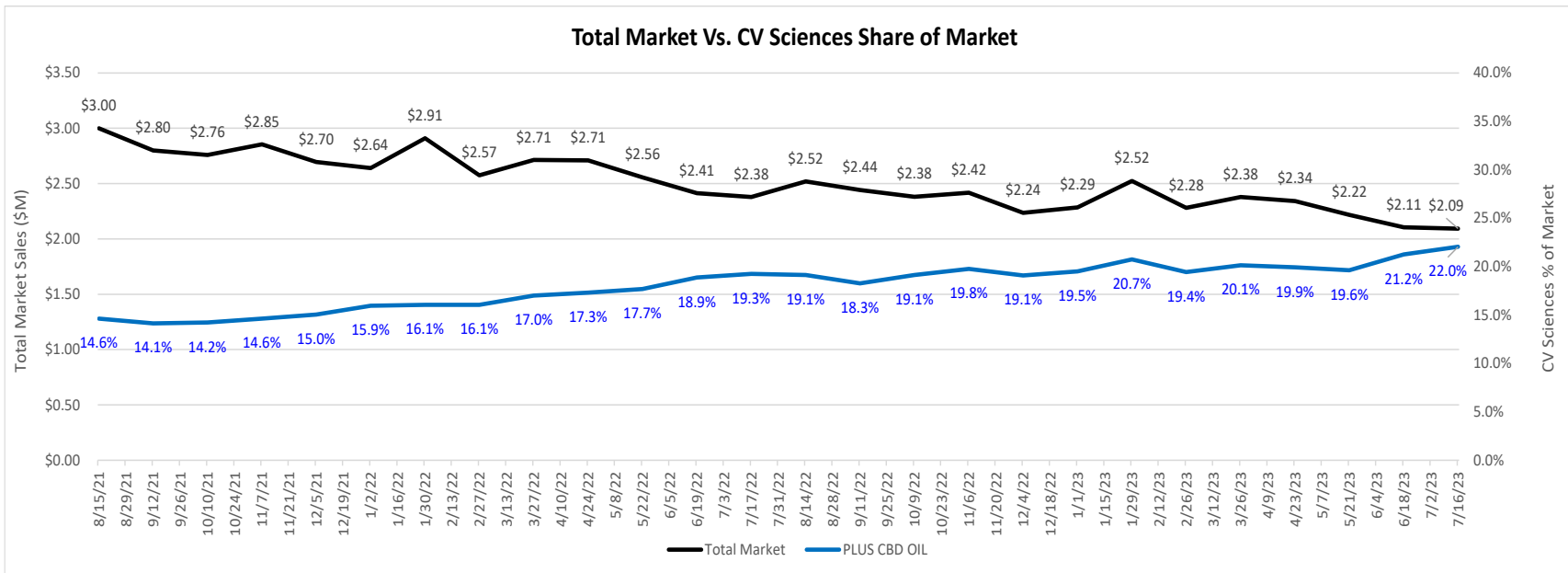
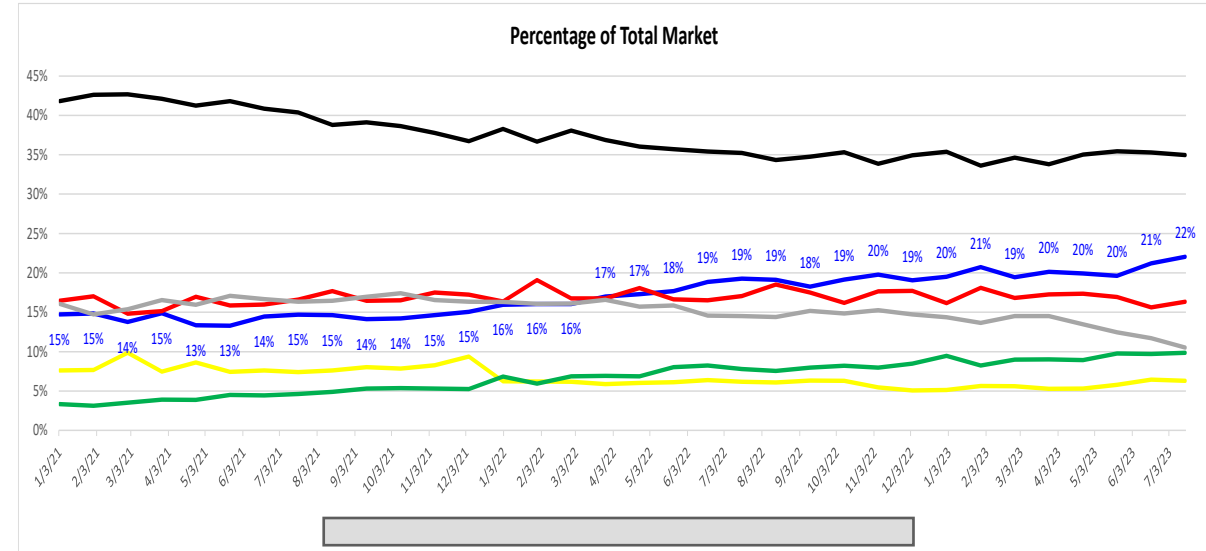


SPINS Data ⁽¹⁾

(1) SPINS is the leading provider of syndicated data and insights for the natural, organic and specialty products industry.

Market Leader in Natural Products Retail (NPR) Channel

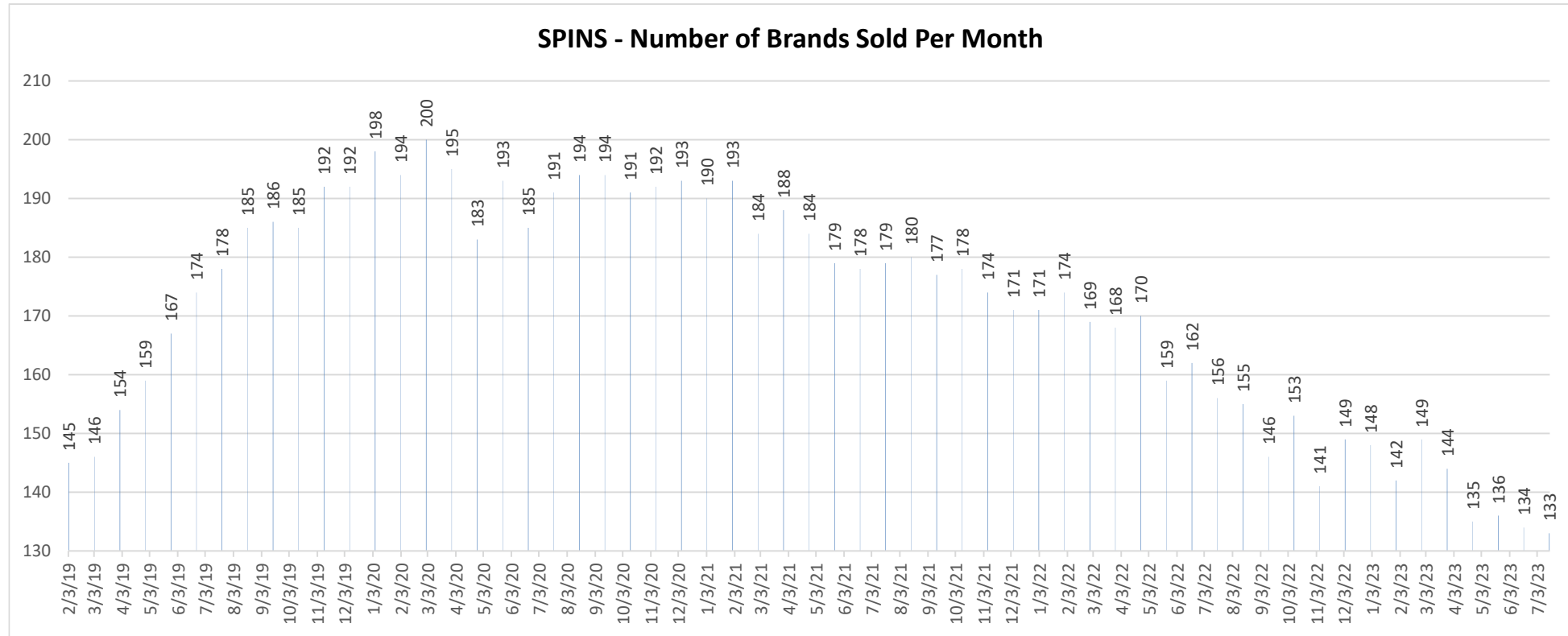
Data through: 2023-Jul-16		Functional Ingredients: Cannabidiol (CBD) and Hemp Products by Brand				Dols, % Chg, Yago			
		52wks	24wks	12wks	4wks	52wks	24wks	12wks	4wks
	TOTAL CBD	\$30,248	\$13,439	\$6,431	\$2,094				
1	Plus CBD	\$5,993.9	\$2,736.5	\$1,346.5	\$461.4	6%	1%	-1%	1%
2		\$5,180.6	\$2,251.1	\$1,049.1	\$342.3	-14%	-14%	-15%	-16%
3		\$4,196.0	\$1,737.3	\$744.1	\$219.8	-26%	-27%	-32%	-36%
4		\$2,645.7	\$1,258.1	\$629.0	\$206.5	19%	10%	7%	11%
5		\$1,737.0	\$774.5	\$396.8	\$131.9	-29%	-17%	-13%	-10%
6		\$1,340.7	\$603.9	\$279.6	\$92.2	0%	-1%	-7%	0%
7		\$1,273.2	\$592.2	\$292.4	\$98.2	-17%	-12%	-8%	-5%
8		\$975.4	\$428.9	\$215.0	\$71.2	-13%	-13%	-8%	-9%
9		\$610.2	\$348.8	\$191.0	\$65.6	50%	63%	83%	87%
10		\$583.1	\$276.9	\$132.6	\$38.0	27%	8%	10%	-2%



	4 Weeks	% of Market	3/26/23	4/23/23	5/21/23	6/18/23	7/16/23
Total Natural Channel			1	1	1	1	1
North Central	28.6%		1	1	1	1	1
Mid Atlantic	16.3%		1	1	1	1	1
Southeast	6.1%		1	2	2	1	1
Southwest	12.1%		3	3	3	2	2
Northeast	6.1%		3	4	3	4	3
South Central	14.9%		2	2	2	2	2
Northwest	9.8%		3	3	3	3	3
Norcal	6.2%		4	4	2	2	2

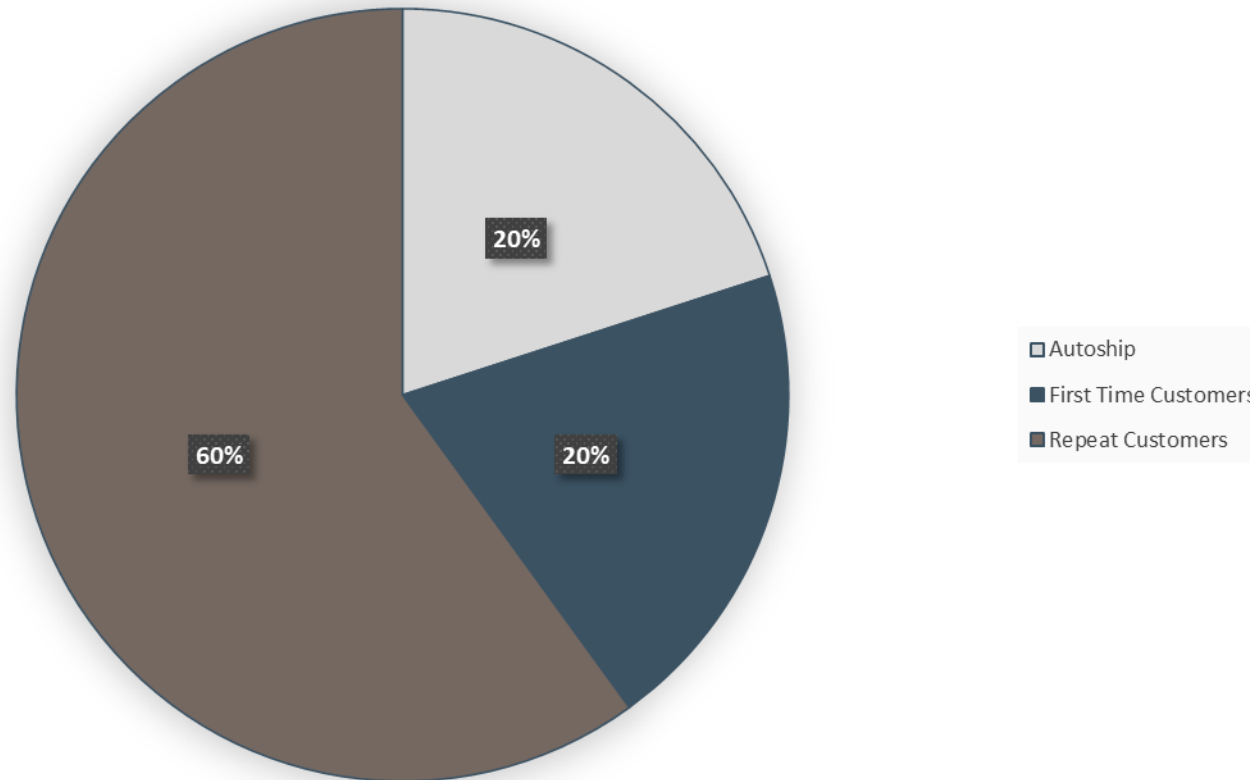
NPR Channel – Brands sold per month

- Brands sold per month – post 2018 Farm Bill to present
- Brand contraction continues



Ecommerce Overview

B2C Loyal Customer Base



What this shows:

- 41% of our revenue is derived from ecommerce.
- Very loyal customer base.
- Key metrics:
 - a) 70,000+ monthly visits
 - b) Conversion rate – $\approx 7.0\%$
 - c) AOV - $\approx \$80.00$

Opportunity:

- Ecommerce infrastructure is built and ready for significant scale

Financial Information

Adjusted EBITDA

<i>(in \$M)</i>	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23
Product sales, net	\$ 4.8	\$ 5.1	\$ 5.1	\$ 5.0	\$ 4.4	\$ 4.1	\$ 3.8	\$ 3.9	\$ 4.1	\$ 4.0
Gross profit	\$ 2.4 48.7%	\$ 2.3 44.7%	\$ 2.4 46.2%	\$ 1.6 32.4%	\$ 1.2 26.0%	\$ 1.3 30.7%	\$ 1.6 41.6%	\$ 1.6 40.4%	\$ 1.8 43.0%	\$ 1.7 43.3%
R&D expense	\$ (0.2)	\$ (0.2)	\$ (0.4)	\$ (0.4)	\$ (0.1)	\$ (0.1)	\$ -	\$ -	\$ -	\$ -
Sales expense	\$ (1.3)	\$ (1.3)	\$ (1.2)	\$ (1.1)	\$ (1.0)	\$ (0.9)	\$ (0.9)	\$ (0.9)	\$ (0.8)	\$ (0.7)
Marketing expense	\$ (1.6)	\$ (1.9)	\$ (1.7)	\$ (1.8)	\$ (1.3)	\$ (1.3)	\$ (1.1)	\$ (0.7)	\$ (0.7)	\$ (0.8)
G&A expense	\$ (2.4)	\$ (2.4)	\$ (2.0)	\$ (7.2)	\$ (0.2)	\$ (1.3)	\$ (0.4)	\$ (2.0)	\$ (0.7)	\$ (1.3)
Benefit of tax accrual reversal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6.2	\$ -
Operating income (loss)	\$ (3.1)	\$ (3.5)	\$ (3.0)	\$ (8.8)	\$ (1.5)	\$ (2.3)	\$ (0.9)	\$ (2.1)	\$ 5.8	\$ (1.1)
Interest and other	\$ -	\$ -	\$ 2.9	\$ (0.1)	\$ (0.7)	\$ (0.3)	\$ (0.1)	\$ (0.2)	\$ (0.1)	\$ (0.2)
Net income (loss)	\$ (3.1)	\$ (3.5)	\$ (0.0)	\$ (8.9)	\$ (2.2)	\$ (2.7)	\$ (1.0)	\$ (2.3)	\$ 5.7	\$ (1.3)
Depreciation expense	\$ 0.2	\$ 0.2	\$ 0.3	\$ 0.4	\$ 0.5	\$ 0.3	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1
Interest expense	\$ -	\$ -	\$ -	\$ 0.1	\$ 0.7	\$ 0.3	\$ 0.3	\$ 0.2	\$ 0.1	\$ -
Income tax	\$ -	\$ -	\$ -	\$ (0.1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Stock-based compensation (1)	\$ 0.7	\$ 0.9	\$ 0.8	\$ 0.8	\$ 0.5	\$ 0.1	\$ 0.2	\$ 0.2	\$ 0.1	\$ -
Gain on debt extinguishment (2)	\$ -	\$ -	\$ (2.9)	\$ -	\$ -	\$ -	\$ (0.1)	\$ -	\$ -	\$ -
Gain on tax reversal (3)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6.2)	\$ -
Gain on lease termination (4)	\$ -	\$ -	\$ (0.9)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Impairment (5)	\$ -	\$ -	\$ -	\$ 5.0	\$ -	\$ -	\$ -	\$ 1.2	\$ -	\$ -
ERC Benefits (6)	\$ -	\$ -	\$ -	\$ -	\$ (2.0)	\$ -	\$ (0.5)	\$ -	\$ -	\$ -
Adjusted EBITDA	\$ (2.3)	\$ (2.4)	\$ (2.7)	\$ (2.6)	\$ (2.5)	\$ (1.8)	\$ (1.2)	\$ (0.7)	\$ (0.2)	\$ (1.2)

(1) Stock-based compensation expense related to stock options awarded to employees, consultants and non-executive directors based on the grant date fair value using the Black-Scholes valuation model

(2) Gain on extinguishment of debt related to the forgiveness of PPP loan (Q3 21) and gain on extinguishment of convertible note (Q3 22)

(3) Benefit for reversal of accrued payroll tax associated with RSU release to founder in 2019

(4) Gain on lease termination agreement for our main facility in San Diego

(5) Goodwill and intangible asset impairment charges

(6) Benefit related to employee retention credits

Regulatory Inflection Points

Regulatory Environment – Key Legislation

- **Safe Banking:** Senate Banking Committee approved on September 27, 2023. Allows banks to work with cannabis businesses without penalty.
- **Rescheduling:** DEA likely to reschedule cannabis to Schedule III
- **Garland Memo:** Likely to follow “Cole Memo” with a Federal “hands off” approach.
- **280E:** *“No deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I or II of the Controlled Substances Act) which is prohibited by Federal law or the law of any State in which such trade or business is conducted.”*
- **2023 Farm Bill:** Opportunity to incrementally clarify Hemp Industry, absent FDA or Congressional action.

Growth Opportunities

Growth Opportunities

- Market share increase from brand contraction.
- Brand consolidation through M&A.
- Product innovation supported by evidence-based science.
- Leverage key assets: **retail distribution**, **strong brand awareness**, **strong infrastructure** and **people**.
- Complimentary CPG products in “health and wellness” category to leverage key assets.
- International expansion.
- Regulatory progress.

Thank You