

CVS Health Corp

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A CBD primer: What it is, why it's getting a lot of hype, and why business is blazing

Cannabidiol (CBD): It's hip, it's slick and it's booming.

There's no doubt the CBD market is turning heads and has experienced a surge in popularity in recent months. If you asked someone in 2017 what CBD was, you'd likely be met with a blank look. In 2018, people started hearing about it more. Today? It dominates headlines.

The popularity surge is not just for consumers as more and more companies are jumping in the pool. In the US, mass-market retailers, such as CVS (NYSE:CVS), Walgreens (NASDAQ:WBA) and Kroger (NYSE:KR) have lined up to carry CBD products. Beverage, foods and cosmetics companies are diving in too.

What is CBD?

CBD can be derived from hemp or marijuana - a fact that many don't realize. It is one of more than 100 cannabinoids, which are the chemicals naturally found in cannabis plants.

A number of studies have shown CBD to be safe and non-habit forming, that does not produce the 'high' that its big brother Tetrahydrocannabinol (THC) provides. From a molecular level, CBD is the same compound, whether it is found in high-THC or low-THC cannabis plants.

When it comes to how you get CBD into your body, it ranges from: by mouth, as an aerosol spray, or an inhalation of smoke or vapor. Often, it is supplied as an oil containing CBD as the active ingredient or in capsules.

CBD has become a coveted ingredient in a wide range of consumer products: from bath bombs to lotions, beverages, water, pet treats, tinctures and more. The list is endless.

According to a recent poll released by Gallup, one in seven, or 14% of Americans say they use CBD products. In the UK, The Centre for Medicinal Cannabis recently released a report about CBD, which estimated 11% of the population had consumed a CBD product in the last year.

What is it used for?

CBD has a range of reported medicinal and health uses. In the Gallup poll, 40% of users utilized CBD products for pain, 20% for anxiety and 11% for sleep.

Some CBD users consider it a miracle medicine, capable of relieving a wide range of conditions, including depression, arthritis, and diabetes. Many CBD-users believe it helps them relax, despite it not being psychoactive, and some believe doses can assist in staving off Alzheimer's and heart disease. It has been shown to have anti-inflammatory, anti-pain and anti-psychotic properties.

Price: 76.02

Market Cap: \$98.9 billion

1 Year Share Price Graph



Share Information

Code: CVS

Listing: NYSE

52 week High Low
77 51.72

Sector: Retail

Website: info.cvscaremark.com

Company Synopsis:

CVS is one of the largest drug store operators in America, selling prescription drugs and general merchandise, including over-the-counter drugs, greeting cards, film and photo finishing services, beauty products and cosmetics, seasonal merchandise and convenience foods. Its products are sold through CVS.com and 4,132 retail drugstores located in 27 states and the District of Columbia's pharmacy retail stores.

action@proactiveinvestors.com

That said, while more and more studies are in progress, CBD has seen only limited testing in human clinical trials.

Does it get you high?

No. CBD isn't psychoactive, meaning it does not produce feelings of being high - unlike THC. It is also not known to be addictive. It has also been used for pets and for children.

Market opportunities

Beverages, food and cosmetics companies are diving into the market.

According to the US Natural Products Association, more than 1,500 CBD-related products have been released in the last three years.

The UK's Centre for Medicinal Cannabis research estimates that 1.3 million consumers are spending more than £300 million (US\$364 million) per year on CBD products. As a comparison, that is larger than both the Vitamin D market (estimated at £145 million) and the Vitamin C market (£119 million) combined.

Interest appears to be strong, at least at the moment, for hemp-derived CBD.

"Particularly in the US, where the Farm Bill was passed earlier this year, we see such a large amount of interest on the hemp-derived CBD side of the industry," said Steven McAuley, CEO of Empower Clinics (OTCMKTS:EPWCF) (CSE:EPW) in a recent interview with Proactive.

Empower operates a network of medical cannabis healthcare clinics, and has its own line of CBD-based products called Sollievo, which include CBD lotion, tinctures, spectrum oils, capsules, lozenges, patches, topical lotions, gel caps, e-drinks, hemp extract drops, and pet elixir hemp extract drops.

Cannabis One Holdings Inc (CSE:CBIS) (OTCMKTS:CAAOF) is another US player that is looking to take advantage of the CBD opportunity, after adding a CBD product line of serums, creams and lotions, called Herah, to its brand portfolio, as well as boosting its US footprint, with two 21,000-square foot manufacturing and processing facilities in Oregon that could produce CBD.

"Following the passage of the United States Farm Bill, mainstream consumers will increasingly be able to enjoy the broad benefits of non-psychoactive hemp-derived CBD," said Jeff Mascio, CEO of Cannabis One, noting the Oregon facility will help the firm build out its CBD plan.

It is a strategic move, entering the CBD-wellness market at a time where US federal regulations now permit a growing number of products containing hemp-derived CBD.

Market set to grow

The CBD market is one that looks set to grow.

Market research firm The Brightfield Group projects that CBD annual sales in the US, now around US\$600 million, will grow to \$23 billion by 2023.

And while that may be overly optimistic, there is little doubt that in the space of several years CBD has gone from a three-letter acronym nobody had heard of to one you see on drugstore shelves.

In 2019, it's estimated that more than 200,000 acres of licensed hemp will be planted in the US, up from a fraction of that (25,000 acres) just two years ago. In Canada, about 82,000 acres are expected to be planted this year, more than double last year.

Codebase Ventures Inc (CSE:CODE) (OTCMKTS:BKLLF) recently announced it was taking a slice, with 45 acres of certified organic land in New Berlin, New York to grow hemp to use for CBD extraction.

"We see this farm as a hub for the company on the East Coast, beginning with production and extraction in partnership with other companies and the potential development of our own organic hemp and hemp-derived CBD brands," said Code Cannabis Investments CEO Zach Stadnyk.

While the surge in demand is helping fuel the Green Rush, some analysts believe annual sales of CBD have the potential to be larger than marijuana, based on the simple fact that it can be used in many more products.

For now, there's little doubt that the CBD craze is on, the question is: how long will it last and how long is the runway from here?

Contact Katie Lewis at katie@proactiveinvestors.com

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Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

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