

# European CBD

April 2020 Report



BRIGHTFIELD  
GROUP



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# Executive Summary

The first months of the COVID-19 pandemic in Europe have put significant downward pressure on the region's CBD markets due to retail outlet closures, general fears surrounding going out, and competing budgetary priorities. European CBD markets will take the biggest hit throughout 2020, but the pandemic will also have more drawn-out effects on CBD spending over time, resulting from high unemployment rates and decreased disposable income levels.

Clarified Novel Foods policies will provide a legally viable pathway forward for companies to enter sizeable CBD supplement, food, and drink markets in Europe, albeit a slow and expensive one. This will likely knock many smaller players from the market, while encouraging the entrance of larger, well-capitalized CPG and supplements companies. Many of these large companies have been waiting on the sidelines for the regulatory clarity and longer-term market viability that Novel Foods adoption affords.



# Executive Summary

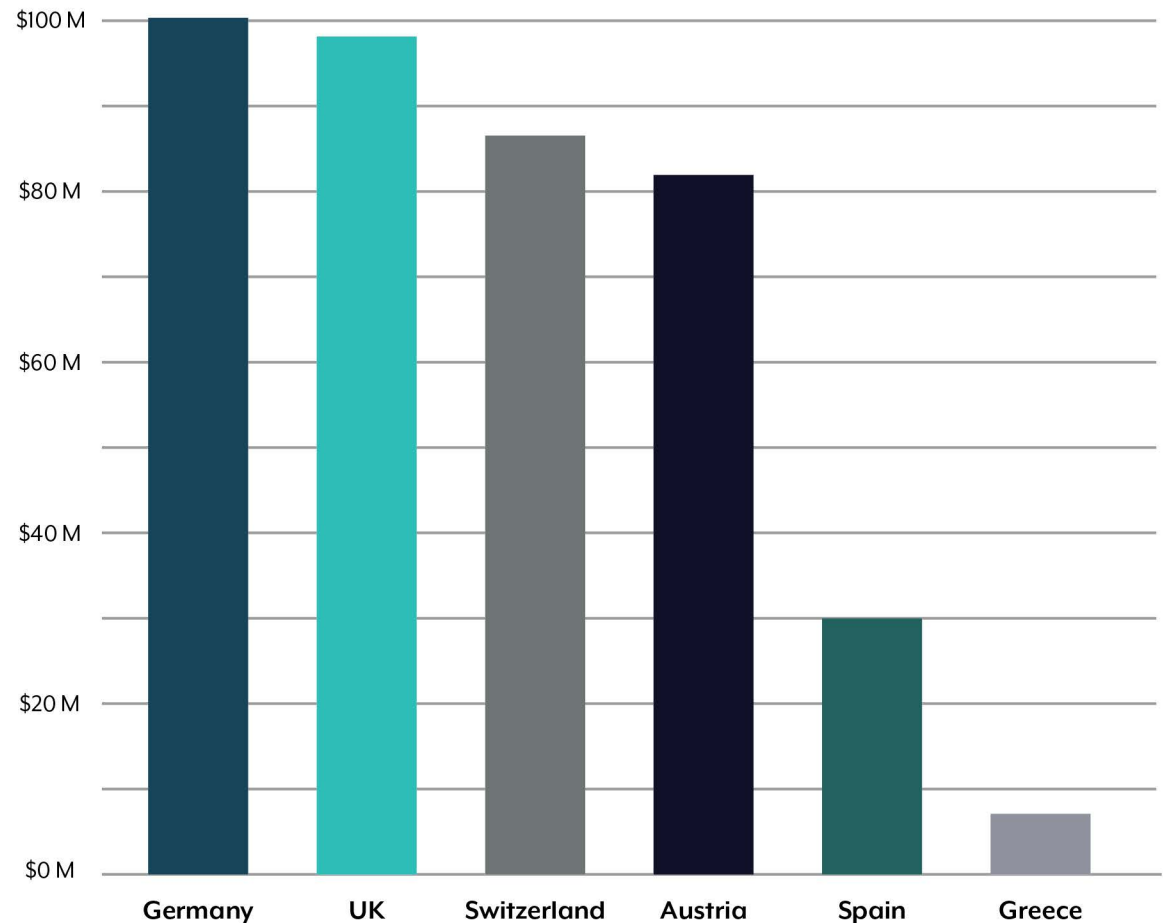
2019 and 2020 have ushered in hundreds of new competitors of all stripes - local, international, start-ups, well-funded public companies, vaping companies, tincture producers, a vast wave of new cosmetics brands and lines. While many have sustained operations, a great number are also leaving the space as regulatory issues and wider challenges (such as the vaping illness crisis, COVID-19) develop and unfold.

For this reason, the region's competitive landscape has been nearly constantly in flux since its beginnings, a phenomenon that is expected to continue as COVID and Novel Foods test companies' resilience - though the 2021-2022 will see greater consolidation and a clearer picture of longer-term players.

# Market Sizes & Current Drivers

In 2019, CBD sales in Europe reached \$405 million USD, growing 26% over 2018. The European market is led by Germany and the UK, with Switzerland and Austria following not far behind. These countries have seen relatively liberal approaches to CBD, with products broadly distributed through a wide range of mainstream retail outlets.

## 2019 CBD Sales by Country





# CURRENT DRIVERS BY COUNTRY

## Germany

CBD-only products have thrived both in and outside of typical cannabis channels in Germany. Products are sold in two ways; individuals can get a prescription through the state's medical program, or they can buy CBD through mainstream channels such as smoke shops, online, and natural food stores.



## United Kingdom

In the UK, CBD has gained traction in recent years as an alternative in a market where access to medical cannabis is tightly restricted. CBD has gained distribution through large retailers such as Holland & Barrett, Superdrug, and Tesco, bringing CBD products to a wide range of consumers.





# CURRENT DRIVERS BY COUNTRY

## Switzerland

Switzerland has taken a more liberal approach to CBD than much of the continent, allowing CBD products with up to 1% THC to be legally sold as consumer products. CBD has gained popularity in Switzerland as a tobacco substitute and is sold in over 1,000 tobacco shops. CBD is also widely available through grocery outlets, cosmetic stores, and CBD specialty shops.



## Austria

Austria has large and growing demand for CBD. While edible and cosmetic CBD products are currently banned per the government (in compliance with European policies surrounding cosmetics and Novel Foods, CBD oils may still be sold as “aromatherapy products” and smokable hemp is available in a wide range of outlets including grocery stores, CBD specialty shops, and even vending machines.





# Novel Foods

Increasing enforcement of Novel Foods regulations has already begun to change the shape of the CBD landscape in Europe. Although they are not legally binding, authorities of European countries use Novel Foods regulations as a reference to enforce health and safety laws inside their borders and may choose to adopt or adapt them. In January 2019, the European Commission designated cannabis and its derivatives as Novel Foods. As a result, European states are being increasingly pressured to uphold this ruling and make it unlawful for companies to bring any CBD ingestible product to market without first applying for and receiving a Novel Food authorization from the European Commission.

Despite the European Commission's designation of cannabis and its derivatives as Novel Foods, however, many European states have elected to operate outside this framework, with some having adapted it to match local regulatory approaches, and others having allowed gray markets to operate unchecked. Edible and ingestible products remain on shelves in countries throughout Europe today.





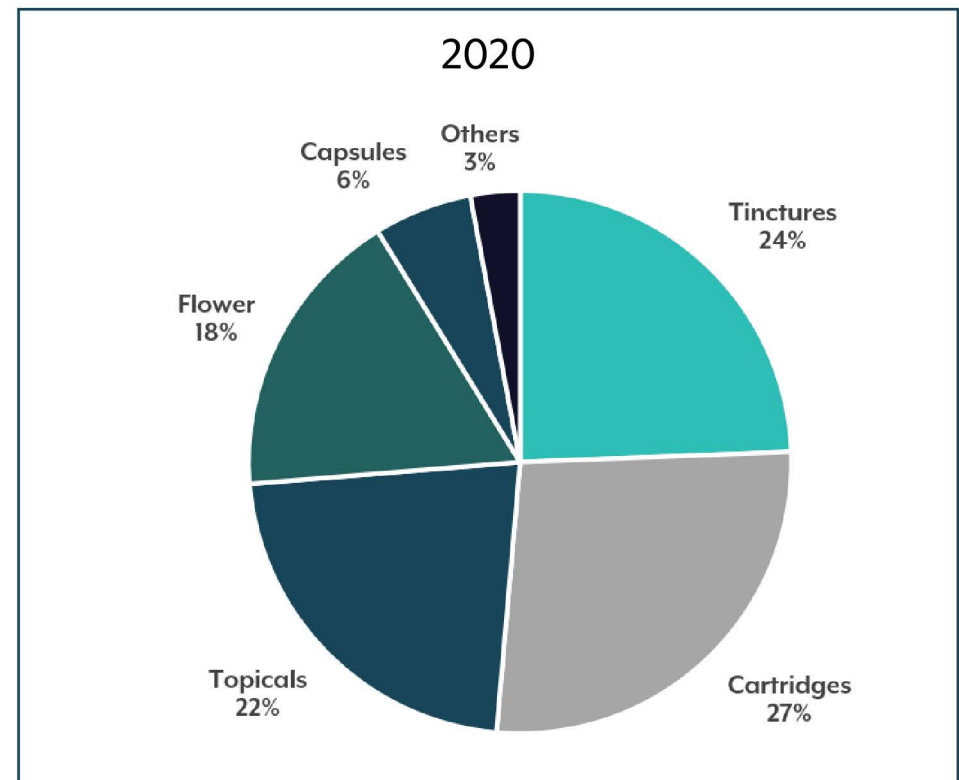
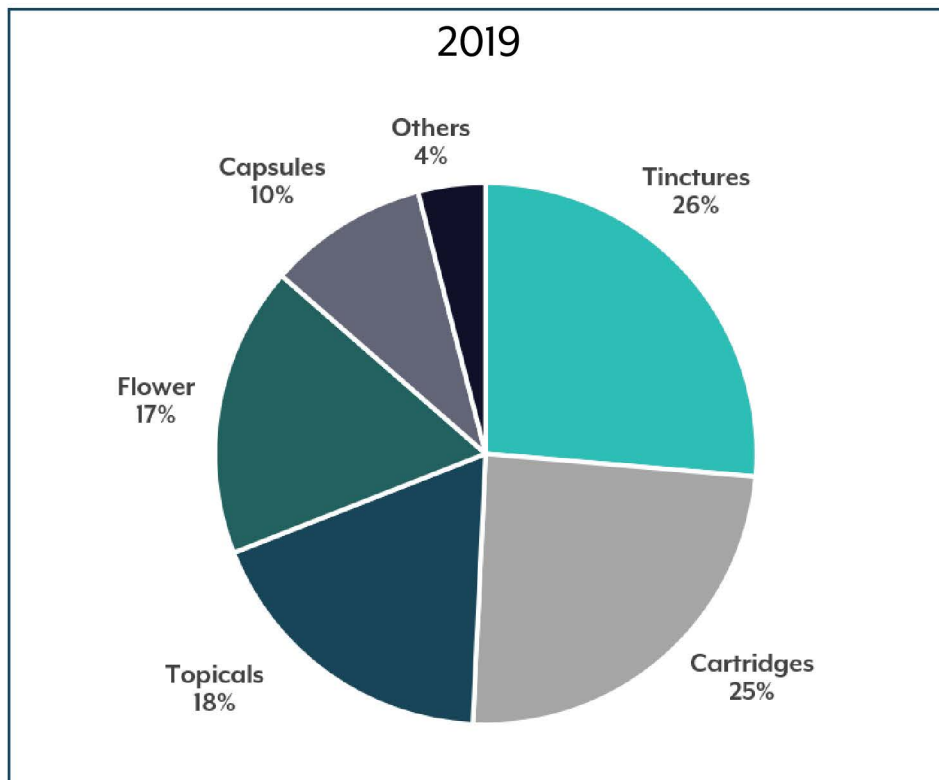
In late 2019, a decision from a court in Germany determined that the country would fall in line with the European Commission's directive on CBD. Moving forward, in Germany, ingestible products containing CBD will be considered Novel Foods and will require prior safety evaluation and authorization from the EFSA before marketing or selling in Germany.

In addition, the UK Food Standards Agency (FSA) announced early this year that those looking to legally market ingestible CBD products will have to submit a valid application for Novel Food authorization in order to keep product on shelves beyond March of 2021.



In the immediate term, inhalable and topical (cosmetic) products types, and the companies excelling in these segments, are likely to increase their share of market in the region, with ingestibles – primarily tinctures and capsules – making a comeback when Novel Food-authorized products begin to circulate in the market. With market behemoths Germany and the UK, as well as various others such as Austria, Spain and France, moving to enforce Novel Foods regulations, it looks likely that the majority of European nations will follow suit and implement similar regulations in time, posing further challenges for ingestible CBD companies looking to continue operating outside this framework in Europe.

### CBD: BREAKDOWN BY PRODUCT TYPE



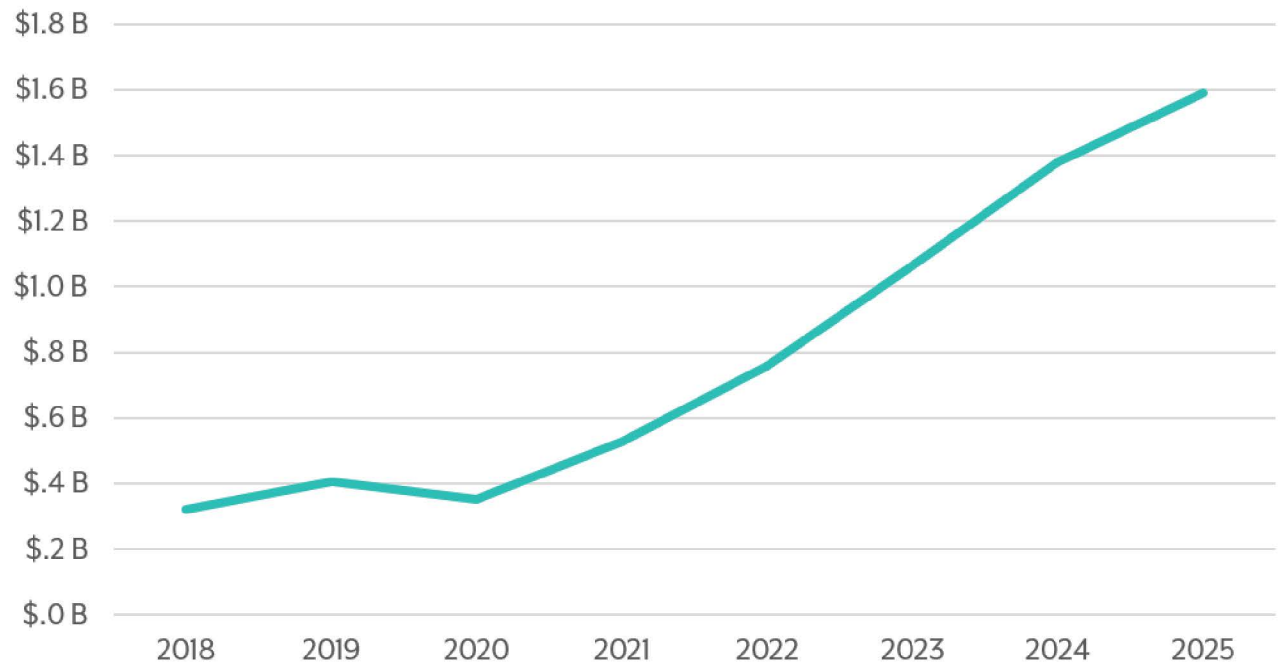


# Forecasts & Growth Drivers

Germany and the UK will see the highest growth through 2025, with strong consumer demand and widespread access to products continuing to drive sales. The growth of ingestible products in the UK, Germany, and Austria will be slowed by recent changes in Novel Foods regulations (less so in the UK, given there is a moratorium on enforcement), but access to CBD is still expected to be

widespread at large retailers. In addition, smokable hemp and CBD vapes, which are not subject to Novel Foods regulations, are popular throughout much of Europe, especially as an alternative to tobacco products. Cosmetics, too, have seen an upward trend in Europe and fall outside the Novel Foods framework – as such they are expected to maintain a solid presence across the region.

**EUROPEAN CBD MARKET SIZES, 2018-2025**







However, overall CBD markets are expected to struggle in 2020 in the wake of the COVID-19 crisis. In terms of projections, COVID will drive sales down primarily in 2020 due to the closure of retail outlets, budget priorities, fears around smoking, and supply chain interruptions. However, markets are expected to bounce back in 2021 and beyond.

Between COVID and the increased enforcement of Novel Foods policy toward CBD-infused ingestibles - product formats that make up a substantial part of the market in Europe - many entities are being put to the test. The landscape for CBD is likely to look very different in the coming years, favoring the most strategic, efficient and resilient players (especially well-capitalized ones) that have managed to successfully survive the COVID-19 chaos and navigate the web of regulations spanning the region, or buy out those who have.



# Competitive Landscape

Top competitors in Europe have focused on successful product types and gaining broad distribution through mainstream retail outlets. In the UK, this includes retailers such as Boots Pharmacy, Superdrug, Holland & Barrett and Tesco. In Switzerland smokable hemp can be found in leading grocers and co-ops like Lidl and Coop. Meanwhile, in Germany, successful competitors can take advantage of medical cannabis channels in addition to the consumer market.





# INDUSTRY PLAYERS

Jacob Hooy is one of the best-known drug stores in Amsterdam, and the company's strong reputation in Europe has set them apart from competitors. Jacob Hooy's was one of the first CBD brands offered by Holland & Barrett in the UK in early 2018, and today its dozens of popular product formats are shipped throughout Europe.



Netherlands-based Endoca has been in the market since 2008 and boasts a very strong global and regional presence and reputation. The company indicates it was the first online shop to sell CBD products, and it now offers products in brick-and-mortar shops throughout Europe as well as globally through its website.

Medterra is a US-based CBD company offering oils, capsules and topicals made with THC-free CBD isolate, and emphasizing its quality, affordability and testing transparency. From its European headquarters in the Netherlands, Medterra plans to expand to all of Europe and has been quickly building a reputation as a strong, quality player in the region.





Vitality CBD, a domestic UK producer, has signed distribution deals with Boots Pharmacy and Tesco to reach over 1,900 retail outlets in the UK. Vitality offers a broad range of products including drops, sprays, creams and balms.



CBDfx, a California-based brand, has gained excellent traction in the British and German markets, beginning with their CBD vape cartridges and broadly diversifying its portfolio over the years. The company has expanded its presence to over 60 countries, sees a great deal of online traffic, and has recently launched its proprietary UK-based site in response to high demand in the country.

Dragonfly CBD was founded in the UK in 2016 and offers CBD oils ("narrow spectrum" and broad spectrum) made from certified organic hemp grown in Bulgaria. Products are available through Boots stores and online in the UK and through the company's website, with shipping across Europe. The company is committed to providing simple, natural, and rigorously tested products.



Aphria, a Canadian Licensed Producer, launched its CannRelief line of CBD nutraceuticals and cosmetics through its subsidiary CC Pharma in April 2019, which is sold through a network of more than 13,000 pharmacies in Germany.



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