



WHITE PAPER

# Cannabidiol for Skincare

The image features three open jars of white cream, likely CBD-infused skincare products, arranged on a bed of dark, textured leaves. The jars are positioned in the foreground and middle ground, with their lids removed, revealing the smooth, white cream inside. The background is a soft, out-of-focus grey, which makes the jars and leaves stand out. A thin red horizontal line is located above the text block.

CBD has shown immense potential in the past few years, owing to the passage of the 2018 Farm Bill by the US, thereby clearing restrictions over the use of CBD in cosmetic products. Similarly, the Federal Food, Drug, and Cosmetic Act (FFDCA) permitted the use of CBD in cosmetics. CBD imparting superior properties when used in cosmetic formulations, such as anti-aging, anti-oxidant, anti-bacterial, acne control, and anti-inflammatory properties, is attracting leading players and SMEs of the skincare industry to invest in this market. Further, rising consumer interest towards bio-based skincare formulations is propelling the market growth. CBD for the skincare market witnessed significant growth during 2018 and 2019, and this trend is estimated to continue till 2023, eventually replacing chemically-derived cosmetic products.

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# Present Market Scenario: Cannabidiol

## Market Definition and Overview

Cannabidiol (CBD) is a chemical produced from plant species of the cannabis family. Hemp and marijuana are the most widely used plants of the cannabis family preferred for deriving CBD.

Despite being a highly-regulated market, CBD witnessed substantial growth rate of more than ~35% for diverse end-user industry applications in recent years. In addition, the passage of Farm Bill 2018 in the US, wherein, manufacturers are allowed to produce products with CBD as an ingredient derived from cannabis, is also fuelling the market growth. Similarly, favorable government regulations and policies in North America and Asia-Pacific regions over the use of cannabis in cosmetics is contributing to the growth of the market.

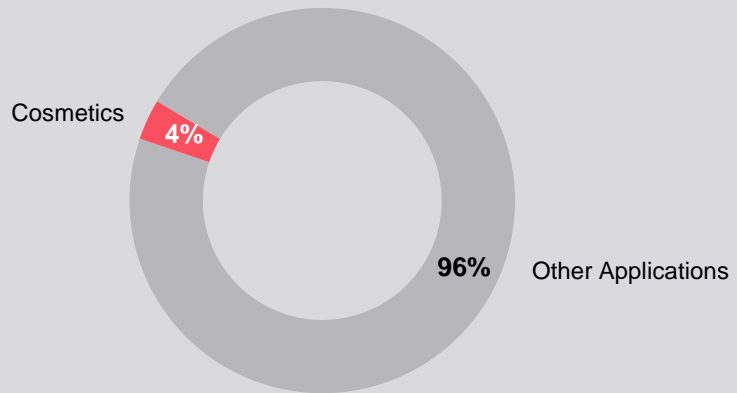
## Cannabidiol: Market Landscape in Skin Care Applications

In recent times, CBD is gaining wide popularity in cosmetics and skincare products. CBD provides several benefits, including anti-aging, anti-bacterial, and anti-inflammatory properties as well as smoothening effect. Further, CBD interacts with the body's endocannabinoid system, thereby reducing inflammation and providing treatment for various skin conditions. CBD is being used in various formulations for the treatment of acne, psoriasis, dermatitis, eczema, and chronic pain relief. CBD as an ingredient is also used as a moisturizer and in other skincare applications.

CBD-based cosmetic and skincare products are flourishing in North America and Asia-Pacific markets. CBD had proven to be the disrupting ingredient in the consumer industry in 2018. Superior and effective results over the use of CBD-based cosmetic formulations for treating inflammatory symptoms of skin, rejuvenating skin due to UV exposure, and imparting youthful look to the skin are key reasons for the increased adoption of these products in North America and Asia-Pacific.

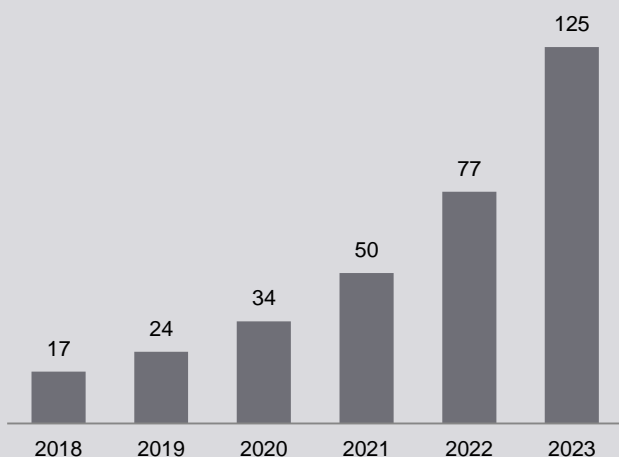
## Market Size and Forecast

According to FutureBridge Analysis, the global CBD market was valued at \$500 million in 2018 and is estimated to grow at a CAGR of 40-42% and reach \$3,000 million by 2023. The inherent potential of CBD in imparting superior properties to cosmetic formulations is propelling market growth. Further, rising consumer awareness and increasing interest towards natural-based ingredients are fuelling CBD usage in cosmetics and personal care products.

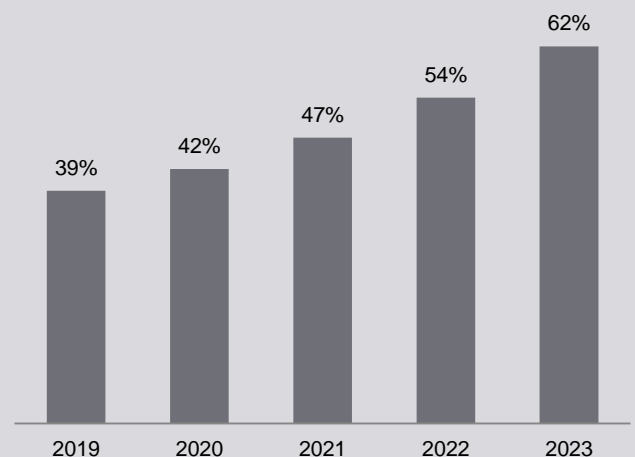
**EXHIBIT 1: Global CBD Market Share in Cosmetic Applications in 2018**

Source: FutureBridge Analysis

The cosmetics segment accounted for 4% share of the global CBD market in 2018 (refer to *Exhibit 1*). Skincare is the key application wherein CBD is used abundantly. The global CBD market in cosmetics was valued at \$17 million in 2018 and is estimated to grow at a CAGR of 48% and reach \$125 million by 2023 (refer to *Exhibit 2*).

**EXHIBIT 2: Global Cannabidiol Market Size and Forecast in Cosmetics 2018-2023**

Source: FutureBridge Analysis

**EXHIBIT 3: Global Cannabidiol Market in Cosmetics – Year-over-Year Growth Rates (%)**

Source: FutureBridge Analysis



The global CBD market in cosmetics was valued at \$17 million in 2018 and is estimated to grow at a CAGR of 48% and reach \$125 million by 2023

## Advantages of using CBD in Skin Care Formulations

There are diverse benefits of using CBD in skincare formulations. CBD regulates acne, reduces wrinkles, nourishes skin, fights skin conditions including eczema and psoriasis, and reduces skin inflammation. Key advantages of CBD in skincare applications are mentioned below:

- **Dermatitis:** CBD oil treats various skin conditions, including rash and allergic skin. Further, skin conditions such as eczema and psoriasis are soothed using CBD oil on the skin.
- **Antibacterial:** CBD exhibits superior antibacterial properties, thereby assisting in the elimination of harmful bacteria in cosmetic and skincare formulations. CBD, being a natural antibacterial agent, is the preferred choice over synthetic chemicals in cosmetic formulations.
- **Nutricosmetics:** CBD oil is a rich source of vitamin A, C, E, omega-3, and omega-9 fatty acids, thereby making it a good nutricosmetic that enriches and nourishes the skin.
- **Antioxidant:** CBD oil reacts against oxygen chains responsible for degrading of cells. Therefore, it actively maintains healthy growth of the cell regeneration system.
- **Anti-inflammatory:** A characteristic property of CBD is that it regulates the interaction of chemicals with neurological pathways. It acts as an efficient anti-inflammatory agent in skincare formulations. Further, CBD interacts with neurological receptors that trigger stress responses.

CBD imparts various properties for use in skincare applications. Therefore, it is being used as a natural ingredient (a potential replacement to synthetic chemicals) in skincare products, which include moisturizers, toners, cleansing lotions, anti-aging creams, skin creams, and lotions.

## Increased Adoption and Launch of CBD-based Cosmetic Products by Leading Players

The market witnessed numerous launches of CBD-based cosmetic products in 2018. The use of CBD in skincare and other cosmetic formulations, owing to its remarkable performance benefits, attracted leading players' interest to invest in this market. A few of the players launched innovative CBD-based products that are summarized below:

- In September 2018<sup>1</sup>, LVMH Moët Hennessy Louis Vuitton SE, a subsidiary company of Sephora, launched special curated products containing CBD that include 'High Expectations' - a cannabis facial oil and 'High Five' - a cannabis facial moisturizer.
- Estée Lauder Companies entered the cannabis skincare market by introducing CBD-based product, Originals Hemp Mask in September 2018<sup>2</sup>.
- Unilever launched the CBD-infused product, Murad's Hemp Serum in August 2018<sup>3</sup>.
- L'Oreal launched Kiehl's Cannabis Serum in February 2019<sup>4</sup>. It is a lightweight, non-comedogenic facial oil, which provides improved skin glow.



The market witnessed numerous launches of CBD-based cosmetic products in 2018.

Favorable regulations and amendments over the use of CBD in Canada and the US in 2018 are prompting players towards the production of products based on CBD formulation. However, stringent import-export legislation is restricting the trade of CBD, which, in turn, is acting as a key challenge for this market. Presently, the export of CBD is permitted only in the form of flower-based hemp. In addition, legal complications and adherence requirements to national and international law over the trade of CBD are restricting market growth. The trade of CBD isolates and CBD distillates is estimated to be gaining momentum in the coming years. North America is the leader in farming of cannabis plantation (hemp and marijuana) with the presence of a large number of cultivation agencies and favorable climate conditions. North American players are estimated to reap the advantage of high exports of CBD, owing to the increasing demand for cosmetics and pharmaceuticals, which is estimated to grow at a CAGR of more than 47% by 2023.








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### **CBD-based Product Launches in 2019**

More than 20 products containing CBD-based formulations for cosmetic applications were launched in the first half of 2019. *Table 1* provides details on a few of the product launches.

**TABLE 1: CBD-based Products Launched in Global Market in 2019**

Company	Product Name	Product Image	Launch Date	Benefits
Marijuana Company of America, Inc.	hempSMART Body Cream		July 2019	The cream is completely free of toxins and helps in improving the overall health of the skin. It is rich in omega-3,6,7 and 9, along with plant ceramides.
NYX Professional Makeup	Bare With Me Cannabis Sativa Seed Oil Blotting Paper		July 2019	It is used to banish excess oil and achieve a smooth matte look.
Tata Harper	Liquid Bliss - Revitalizing Body Oil		June 2019	It is used for softening and hydration of the skin and to relieve sore muscles.
Ovation Science Inc.	ARLO Beauty		April 2019	These unique, proven, and science-based skincare solutions bring out the vibrant and healthy-looking skin, with a youthful radiance that makes one look and feel younger.
LeVel THRIVE	Thrive Skin (3 Step Peel, Reduce & Restore)		April 2019	It increases moisture and reduces the appearance of fine lines and wrinkles on the skin.

Source: Secondary Research

### Regulations Amendments over the use of CBD in Cosmetics

Significant amendments of regulations and government policies governing the use of CBD are made in North America, primarily over the use of CBD in cosmetics and pharmaceutical products. For instance, the passage of 2018 Farm Bill in the US allowed legal approval over the use of CBD oil in cosmetic products, with less than 0.3% Tetrahydrocannabinol (THC) content. This bill had remarkably impacted the surge in the use of CBD oil, which witnessed 5x growth in sales during 2018 as compared to 2017. Further, leading players increasingly invested in research and development of CBD oil-based skincare formulations, which, in turn, resulted in product innovations and launches in 2018, in North America. *Exhibit 4* provides details of government regulations and policies imposed on CBD by various regions.

## EXHIBIT 4: Government Regulations and Policies over the use of CBD in Cosmetics and Personal Care Industry

### Americas

**US:** 2018 Farm Bill passage allows the production of hemp. Further, the production of CBD oil containing less than 0.3% THC is currently legal. Cosmetic products and their ingredients do not require pre-market approval from the FDA.

**Canada:** CBD is regulated under the Cannabis Act and Cannabis regulation. In July 2019, the Canadian government released regulation guidelines over the use of edible cannabis, cannabis extracts, and cannabis topical, which shall be effective from Oct 2019. Reference for regulation guidelines is provided in the Canadian Gazette Part II.

**Mexico:** Cannabis producers in Mexico need to obtain pre-market authorization of products containing CBD, wherein the THC content should be less than 1%.

### Europe

**European Union:** Cosmetics and skin care products that are absorbed into the skin are regulated under Rule 21 of the 2017 EU MDR 2017/745, and Annexure II under this rule provides a list of substances prohibited for use in cosmetics. Cannabis falls under annexure II of prohibited substances category. However, CBD produced from cannabis, cannabis resin, cannabis tinctures, and cannabis extracts from the seeds and leaves is allowed for use in cosmetic applications.

### APAC

**China:** CBD produced from hemp seeds and hemp oil for use in cosmetics is permitted in China. However, CBD for food and medicinal applications is not yet approved.

**Australia:** In Australia, the use of CBD in cosmetics and food is banned. Only CBD use for prescription-based medicines is permitted.

**Source:** United States Department of Agriculture, American Farm Bureau Federation, Cannabis Regulation Act (Cannada.ca), The European Monitoring Centre for Drugs and Drug Addiction, and National Narcotics Control Commission China

## Intensified Mergers and Acquisitions

The cannabis market witnessed a large number of mergers and acquisitions in 2019. Amendments in regulations and policies favoring the use of cannabis in cosmetics and pharmaceuticals are attracting the interest of players to invest in this market. These players are interested in strengthening their market positions through mergers and acquisitions. Breakthrough mergers and acquisitions during 2019 are listed below:

- In August 2019<sup>5</sup>, Acquired Sales Corp. announced that it had signed a definitive merger agreement to acquire a 100% share of CBD Lion LLC.
- In June 2019<sup>6</sup>, Canopy Growth Corporation acquired the right to buy the US vertically integrated, multistate cannabis operator, Acreage Holdings Inc., for \$3.4 billion.
- In June 2019<sup>7</sup>, CBD Capital Group announced that it had acquired Medix CBD, a natural medicine and wellness company.
- In June 2019<sup>8</sup>, iAnthus Capital Holdings acquired CBD for Life, which produces and markets CBD (cannabidiol) products in the US, for \$10.4 million.



- In May 2019<sup>9</sup>, the California-based cannabis company, Caliva acquired Zola (which produced plant-based beverages and other products) from the investment group, KarpReilly.
- In September 2018<sup>10</sup>, Aurora Cannabis announced the successful acquisition of Agropro UAB and Borela UAB. Agropro UAB is the largest processor of hemp in Europe, whereas Borela UAB is the distributor of hemp. The acquisition was completed for USD 7.17 million.

### Capacity Expansion in the CBD Market

Increase in the demand for CBD is prompting players to enhance their production capacities. For this purpose, players are increasingly investing in capacity expansions of cannabis-based farming. In particular, players located in Canada and other North American regions expanded their production capacities of CBD.

- CannTrust Holdings Inc., a leading Canadian licensed manufacturer of cannabis, received the permit to expand its Phase III expansion of 390,000 sq. ft. of cannabis cultivation in Pelham Town in January 2019<sup>11</sup>.
- Innovative Industrial Properties, Inc. acquired a property based in Barry, Illinois, consisting of 75,000 sq. ft. of industrial space spread across 10 acres; this land shall be used for cannabis cultivation during December 2018<sup>12</sup>.
- Canopy announced its plans for the cultivation of hemp in its new production facility, which was bought at an investment of \$500 million in February 2019<sup>13</sup>. Further, the company disclosed its plans to expand its footprints to two more states of the US in the near future.
- Canna Farms Ltd., a subsidiary of VIVO Cannabis situated in Canada, received approval for the expansion of cannabis cultivation in Yale Road Facility in Hope, which shall result in increased annual production to 11,000 kg by 2019<sup>14</sup>.

## Looking Ahead

Increasing consumer interest towards natural ingredient-based skincare formulations has propelled the use of CBD as a prominent natural ingredient owing to its benefits and properties. There were numerous CBD-based product launches in the cosmetics industry in 2018 and the first half of 2019; this trend is estimated to grow by 2023 mainly due to favorable government regulations and policies over the use of CBD in cosmetics and skincare formulations. In addition, the increased number of mergers and acquisitions in the CBD market is expected to continue in the coming years, which will result in the consolidation of market position and enhanced global reach for players. Further, abundant cultivation of cannabis in the North American region is responsible for increased production capacities, which will ultimately boost the market growth.

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