New Pricing Structure: How-to

Martin Bartosek, Manager, Merchandise Planning & Analysis

Agenda

1. New Pricing Structure Overview
2. Pricing Calculator & Resources
3. Cost Change Submission Process

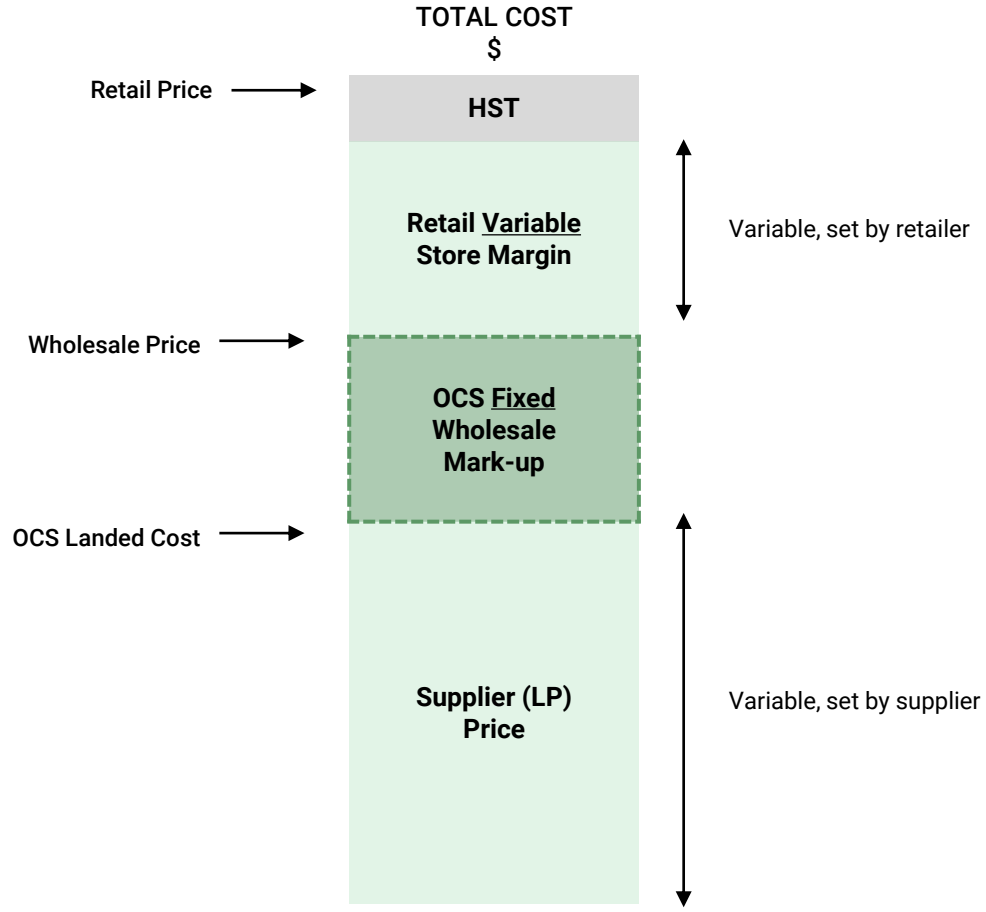
New Pricing Structure Overview

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New Pricing Structure Fixed Wholesale Mark-up

OCS is adopting a fixed mark-up for each product category, applied as a % above landed cost (inclusive of LP margin and excise duty) to arrive at wholesale price.

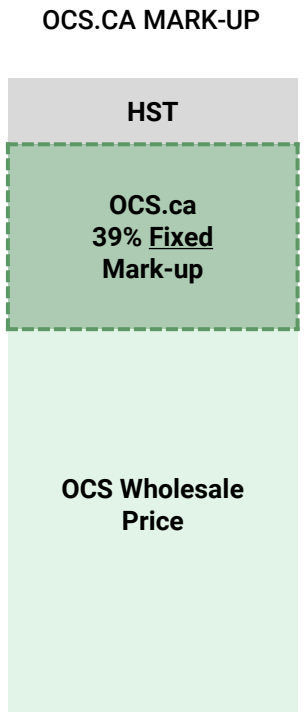
- ✓ Transparent, consistent, and fair
- ✓ Market-driven – industry decides if product is priced to compete
- ✓ Wholesale-focused – no longer linked to OCS.ca retail price



OCS.ca Mark-up on Cannabis

OCS.ca mark-up will increase from 33.3% to 39.0%*^ above wholesale price to determine retail price

- ✓ Decouples OCS.ca from wholesale business
- ✓ Maintains current retail pricing if landed cost is unchanged by LP
- ✓ Provides Licensed Retailers greater ability to establish retail prices that are competitive with OCS.ca



* Rounded up to nearest $0.05 inclusive of HST
^ Accessories OCS.ca mark-up above wholesale will be 90%

Supplier Options

EDIBLE SKU	CURRENT PRICES	FUTURE STATE SUPPLIER OPTIONS			
		HOLD LANDED COST	HOLD WHOLESALE PRICE	HOLD OCS.CA RETAIL PRICE	MIDDLE GROUND
Landed Cost	$4.00	**$4.00**	$4.64	$4.45	$4.32
Category Mark-up %	44.9%	25.0%	25.0%	25.0%	25.0%
Wholesale Price	$5.80	$5.00	**$5.80**	$5.56	$5.40
OCS.ca Mark-up %	33.3%	39.0%	39.0%	39.0%	39.0%
OCS.ca Retail Price (excl. HST)	$7.73	$6.95	$8.06	$7.73	$7.51
OCS.ca Retail Price (including HST & rounded)	$8.75	$7.85	$9.15	**$8.75**	$8.50
Retailer Margins (at OCS.ca matched price)	$1.93	$1.95	$2.26	$2.17	$2.11

Price Change Policy Update

CURRENT POLICY:

In order to be eligible for a price change, product must be in market for at least **60 days**

NEW:

All subsequent price changes will require **90 days in market** before becoming active. This provides Authorized Retailers with sufficient lead time to plan for impact related to changes to Wholesale Prices for products that they may hold in inventory.

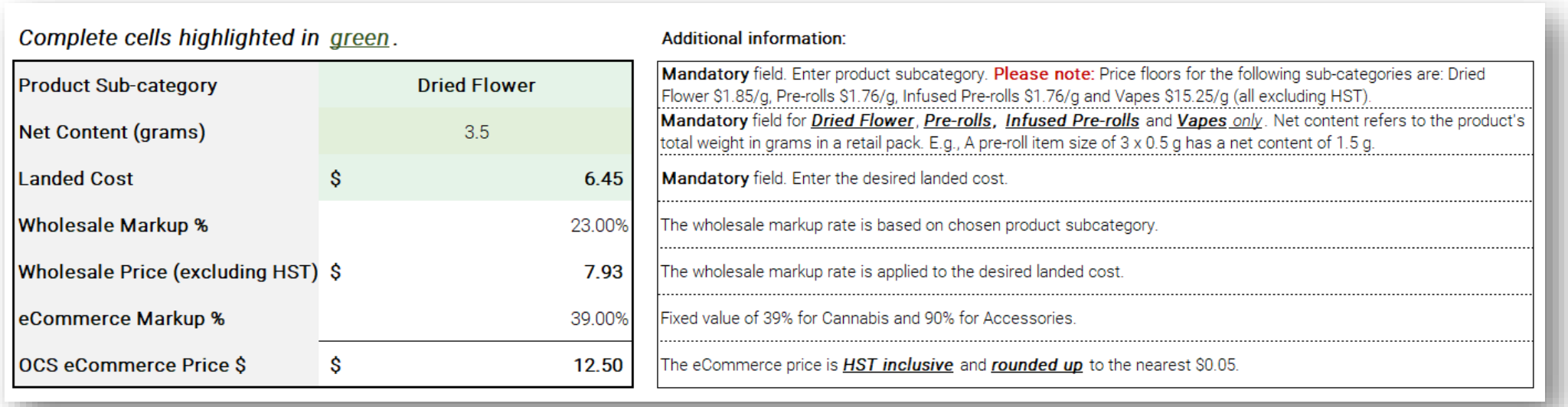
Pricing Calculator & Resources

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Standardized Pricing Calculation Pricing Calculator

A pricing calculator is provided on Doing Business With OCS to help LPs calculate wholesale and OCS.ca retail prices based on landed cost (inclusive of excise and supplier margin)

- ✓ End to end cost/ pricing visibility based on the New Pricing Structure
- ✓ Ensures compliance with price-per-gram floors for Dried flower, Pre-Rolls, Infused Pre-Rolls & Vapes



Complete cells highlighted in green.

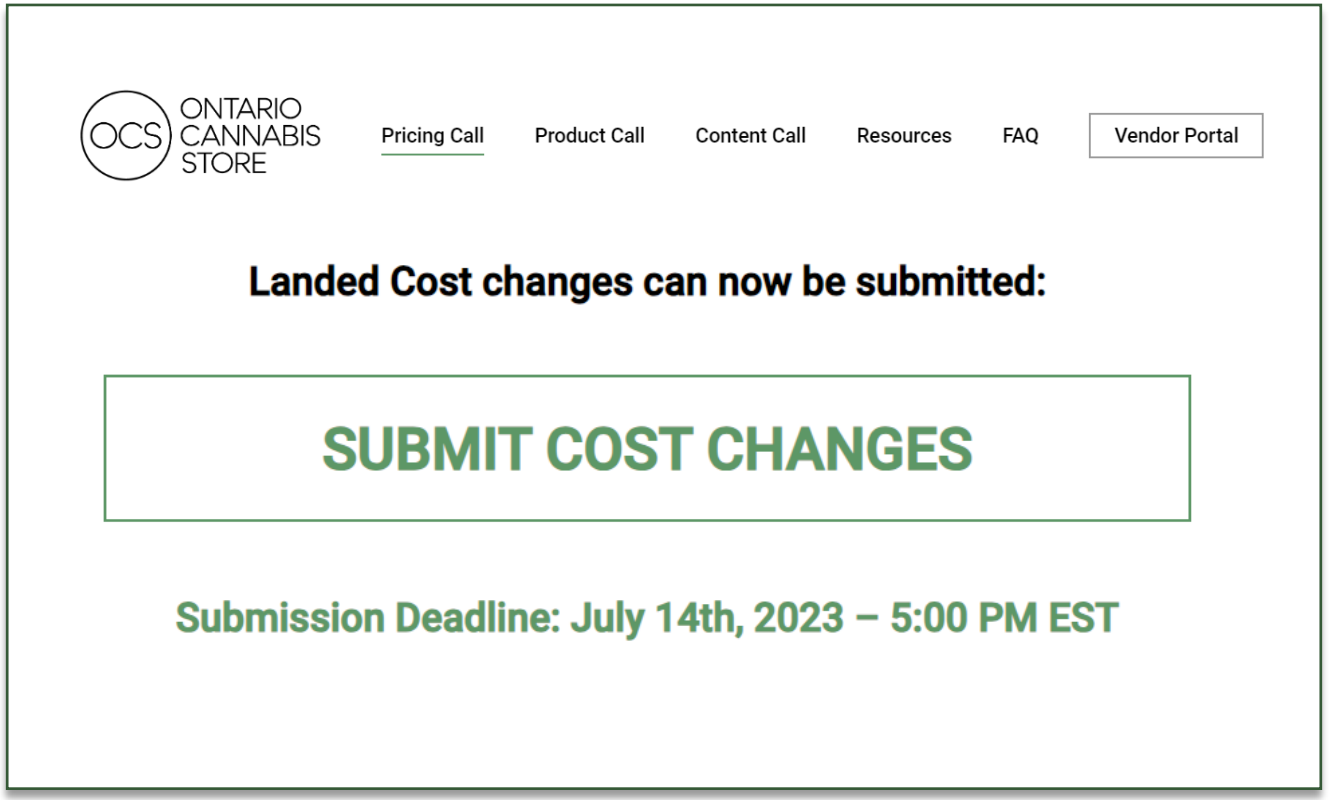
Product Sub-category		Dried Flower
Net Content (grams)		3.5
Landed Cost	$	6.45
Wholesale Markup %		23.00%
Wholesale Price (excluding HST)	$	7.93
eCommerce Markup %		39.00%
OCS eCommerce Price $	$	12.50

Additional information:

Mandatory field. Enter product subcategory. **Please note:** Price floors for the following sub-categories are: Dried Flower $1.85/g, Pre-rolls $1.76/g, Infused Pre-rolls $1.76/g and Vapes $15.25/g (all excluding HST).
Mandatory field for ***Dried Flower***, ***Pre-rolls***, ***Infused Pre-rolls*** and ***Vapes*** *only*. Net content refers to the product's total weight in grams in a retail pack. E.g., A pre-roll item size of 3 x 0.5 g has a net content of 1.5 g.
Mandatory field. Enter the desired landed cost.
The wholesale markup rate is based on chosen product subcategory.
The wholesale markup rate is applied to the desired landed cost.
Fixed value of 39% for Cannabis and 90% for Accessories.
The eCommerce price is ***HST inclusive*** and ***rounded up*** to the nearest $0.05.

Cost Change Process Cost Change Submission Form

- ✓ A standardized Cost Change Submission form is provided on Doing Business With OCS
- ✓ July 14th – Deadline for LPs to submit new Landed Costs on existing portfolio (inclusive of Summer launches)
- ✓ July 24th – Price Confirmation forms will be sent to Licensed Producers
- ✓ July 28th – Price Confirmation forms due to OCS for all new cost inputs (5:00 pm)



Implementation Plan Sept 5 Go Live

MARCH 27

DBWOSC.ca updated: Next steps for Fall PC and Existing SKU transitions posted

APRIL 28

Fall PC pre-submission deadline (5:00pm): LPs submit using new mark-up rates

MAY 17

Last Submission for routine Price Changes until post Go Live

JUNE 19

Final routine price changes active at Retail. Price Freeze begins

JULY 14

Deadline for LPs submit new Landed Costs on existing portfolio (inclusive of Summer launches)

JULY 24

Price Confirmation forms sent to Licensed Producers

JULY 28

Price Confirmation forms due to OCS for all new cost inputs (5:00pm)

JULY 31

New Prices Communicated to Licensed Retailers

SEPT 11

New Prices Live

SEPT 20

First Post Go Live price change submissions due

OCT 23

First Post Go Live price changes active at Retail.

Resources

Find tools and resources on Doing Business With OCS



Price Calculator
A tool to help LPs calculate wholesale and OCS.ca retail prices based on landed cost (inclusive of excise and supplier margin)



Submission Portal
The tool, the OCS will use to collect any landed cost changes LPs wish to make



OCS Wholesale Pricing Guide
Additional technical resources to support LPs

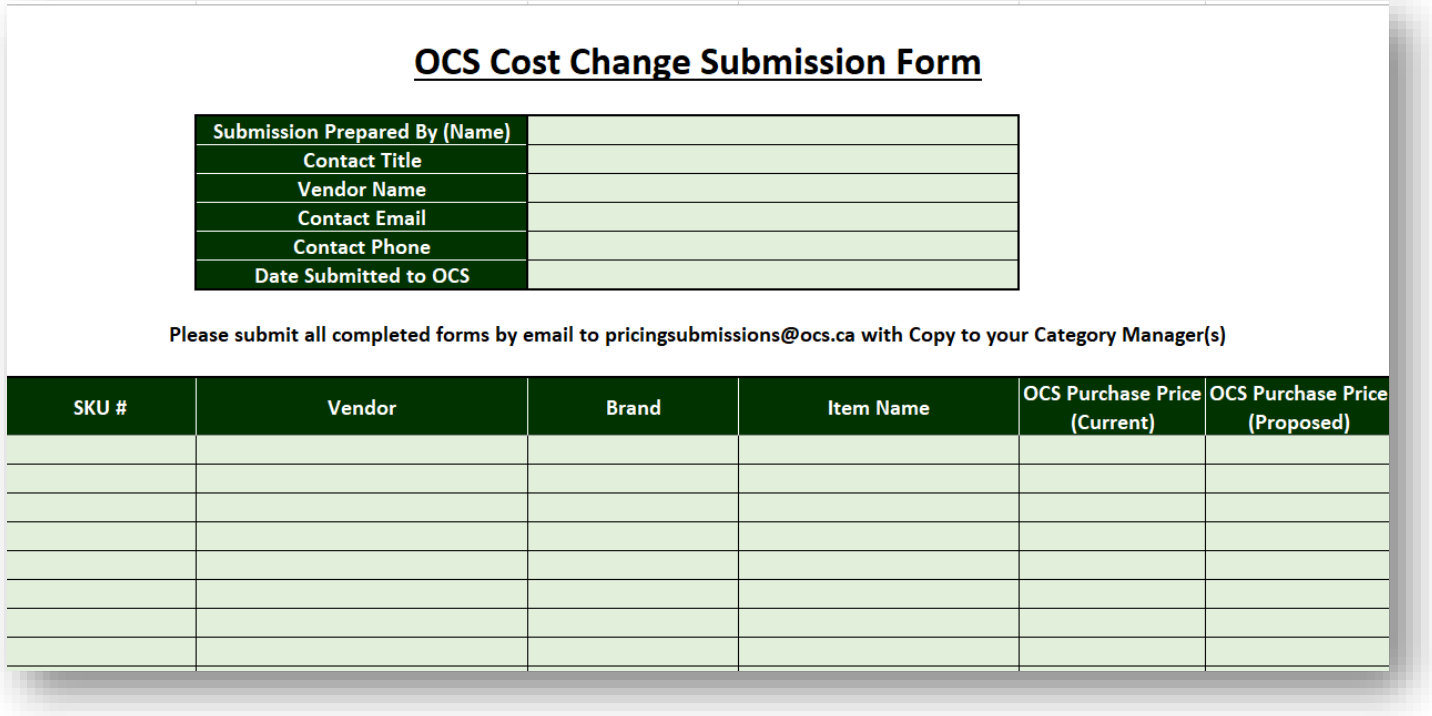
Cost Change Submission Process

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Cost Change Process Cost Change Submission Form

A standardized cost change submission form is provided on Doing Business With OCS to ensure all required information is provided with each cost change request.

- ✓ All markups and pricing will be calculated automatically based on the New Pricing Structure
- ✓ Centralized mailbox to receive all change forms (*pricingsubmissions@ocs.ca*)



OCS Cost Change Submission Form

Submission Prepared By (Name)	
Contact Title	
Vendor Name	
Contact Email	
Contact Phone	
Date Submitted to OCS	

Please submit all completed forms by email to pricingsubmissions@ocs.ca with Copy to your Category Manager(s)

SKU #	Vendor	Brand	Item Name	OCS Purchase Price (Current)	OCS Purchase Price (Proposed)

Cost Change Process Key Dates

Week #	Monday	Tuesday	Wednesday	Thursday	Friday
1			LP cost change submission deadline (End of Day)		1. Cost changes approved 2. Rebate forms issued to LPs
2		Signed rebate forms due back from LPs (End of Day)			
3					
5					
6	Price change takes effect for both OCS.ca & Retailers				

Questions?