

Company Announcement
ASX: HPC

DATE: 15/6/2023

Net sales up 31% in first two months of Q2 FY2023 off significant reduction in marketing spend

HIGHLIGHTS

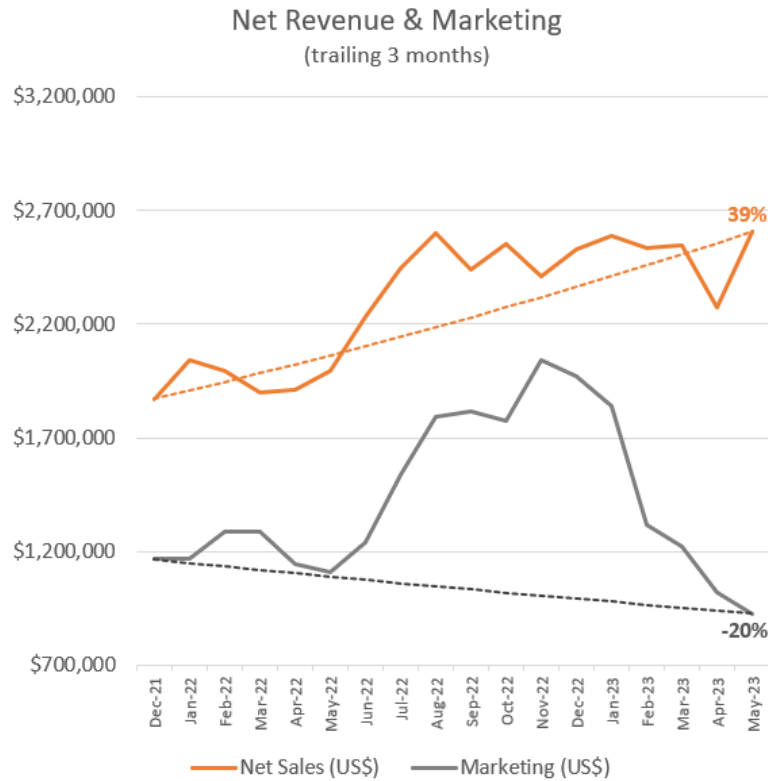
- Unaudited net sales in Q2 FY2023 (April and May 2023) of US\$1.7m, a 31% increase on the prior year comparative period (PCP)
 - Sales growth achieved with ongoing reduction in group marketing spend - Marketing expense as a percentage of net sales down to 28% in May 2023 from 53% in May 2022
 - Marketing costs as a percentage of net revenue on a trailing 3-month basis declined for the sixth straight month in May 2023 to 36% - a new record low since IPO date
 - Net sales in May 2023 exceeded monthly sales results in the peak-demand northern summer months in 2022 (June to August), confirming the group's strong momentum heading into the 2023 high volume summer season
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Hydration solutions company **The Hydration Pharmaceuticals Company Limited (ASX: HPC)** (“Hydralyte North America” or “the Company”) is pleased provide the following update on the ongoing execution of its 2023 strategy to drive monthly sales growth with a material reduction in marketing costs.

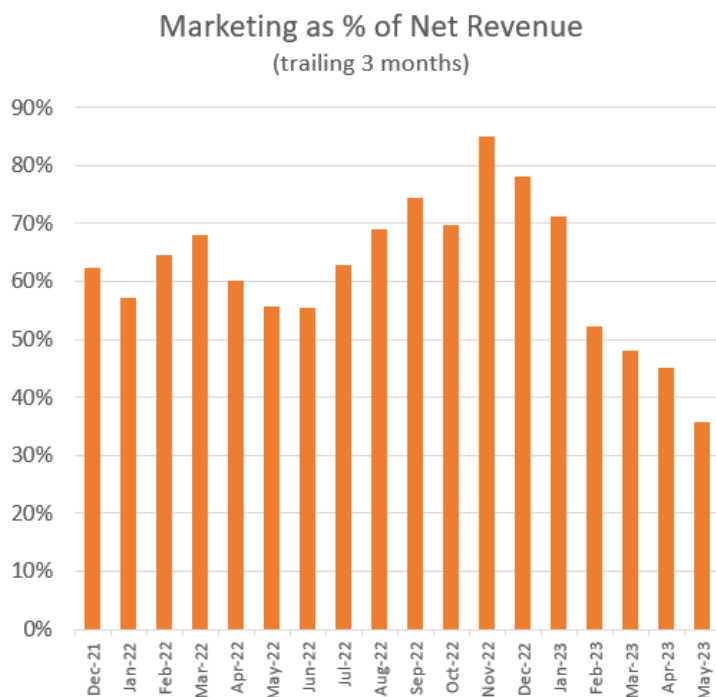
To date, the Company has generated US\$1.7m in unaudited net sales during the first two months of Q2 FY2023, which marks a 31% increase on the PCP (April and May 2022 net sales: US\$1.3m). Recent sales momentum was highlighted by monthly sales of US\$1m in May 2023 – a 42% uplift on the PCP (May 2022: US\$0.7m).

While leveraging its market footprint in North America to drive sales growth, HydraLyte North America has continued to focus on the consistent reduction in marketing costs, which were reduced by 23% in April and May 2023 on the PCP. Operational momentum was again highlighted in May 2023 where marketing costs totalled US\$0.3m, down 26% on May 2022 (\$0.4m) and the lowest monthly marketing spend since the Company's Initial Public Offering (IPO) in December 2021.

Recent sales growth takes three-month trailing revenue (March to May 2023) to US\$2.6m, highlighting 39% growth since December 2021, complimented by a 20% reduction in overall marketing spend (refer graph overleaf).



Further highlighting the positive trend, marketing costs as a percentage of net revenue on a three-month trailing basis declined for the sixth straight month in May 2023 to 36% - the lowest level since the Company’s IPO in December 2021.



The result is indicative of ongoing momentum in the Company’s stated strategy (*refer ASX Announcement: 23 March 2023*), to leverage the brand awareness established through its marketing program to-date and maintain revenue growth with a material reduction in costs.

Use of IPO Funds

The Company also advises that it has utilised the IPO Funds of US\$12,145,633 in full in accordance with the intended use of funds as set out in the Prospectus (*refer ASX Announcement: 10 December 2021*).

The numbers included in this announcement have not been audited and are in USD unless otherwise stated.

Management commentary:

Chief Executive Officer Mr Oliver Baker said: *“We are very pleased with the operating trend that has clearly emerged in Q2, with record-strong sales growth through the first two months of the quarter combined with a consistent reduction in marketing costs.*

“The latest trading update is a direct result of the Company’s strategic focus to leverage the brand awareness it has now established in North America through targeted marketing campaigns to consolidate growth.

“Importantly, this recent momentum leaves the Company well placed to drive a step-change in top-line revenues and operating cash flows during the peak-demand northern summer period, and we look forward to providing more updates in the months ahead.”

ENDS

This announcement was authorised for release by the Board of HydraLyte North America.

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Forward Looking Statements:

This ASX release includes certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Forward-looking statements are based on:

- assumptions regarding the Company’s financial position, business strategies, plans and objectives of management for future operations and development and the environment in which the Company will operate; and
- current views, expectations, and beliefs as at the date they are expressed, and which are subject to various risks and uncertainties.

Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guaranteeing of future performance and involve known and unknown risks, uncertainties, and other factors, many of which are beyond the control of HydraLyte

North America. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.

The Company disclaims any responsibility for the accuracy or completeness of any forward-looking statement. The Company disclaims any responsibility to update or revise any forward-looking statements to reflect any change in the Company's financial condition, status or affairs or any change in the events, conditions, or circumstances on which a statement is based, except as required by law. The numbers, projections or forecasts included in this announcement have not been audited, examined, or otherwise reviewed by the independent auditors of the Company.

You must not place undue reliance on these forward-looking statements.

