

Company Announcement
ASX: HPC

DATE: 15/11/2022

Hydralyte North America streamlines US manufacturing and achieves strong sales growth in October

HIGHLIGHTS

- **Key regulatory approval from Health Canada for US-based manufacturer to commence production of Hydralyte liquid product range for the Canadian market**
 - **Development streamlines US production, optimises costs with the potential to generate increased per-unit margins on ready to drink liquid range**
 - **Concurrently, the Company recorded its highest ever October sales result, consolidating the momentum observed over the North American summer period**
 - **Total net sales for October 2022 were US\$925,000 – a 125% increase on the previous corresponding period (October 2021 net sales: US\$411,000)**
 - **October 2022 net sales up 18% on the previous month (September 2022 net sales: US\$787,000)**
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Hydration solutions company **The Hydration Pharmaceuticals Company Limited (ASX: HPC) (“Hydralyte North America” or “the Company”)** is pleased to confirm it has secured key regulatory approval for product manufacturing for the Canadian market, alongside its best-ever October monthly sales result.

US-based supplier secures Health Canada approval to manufacture liquid products:

The Company advises that it has formally received manufacturing approval from Health Canada – a key regulatory update which allows Hydralyte North America’s US-based contract manufacturer to commence production of the Company’s liquid range for the Canadian market.

The Health Canada approval was viewed by the management team as a strategic priority which allows the Company to optimise its manufacturing processes from a centralised production hub, and capitalise on its existing distribution channels across the North American market.

Hydralyte North America currently sells four stock keeping units (SKU) under its ready-to-drink range which are stocked by major Canadian retail outlets, including Shoppers Drug Mart and a large number of independent stores.

Securing Health Canada approval for manufacturing in the US is expected to lead to a reduction in cost of goods sold, cheaper freights and potentially underpin an increase in gross margins for the Company’s liquid SKUs.

Record October 2022 sales growth:

In October 2022, Hydralyte North America also achieved its best-ever October-month sales result, delivering total net sales of US\$925,000. The result marks a continuation of the momentum observed throughout the northern summer months, and represents a 125% increase on the previous corresponding period (October 2021 net sales: US\$411,000) and an 18% rise on the prior month (September 2022 net sales: US\$787,000).

The rise on the PCP was underpinned by increased shipments to Canadian retail outlets, as well as ongoing sales growth through Amazon USA.

Management commentary:

Chief Executive Officer Mr Oliver Baker said: *"Streamlining the Company's manufacturing process for the ready-to-drink range has a number of operational benefits, including a reduction in COGS, additional capacity and the potential to decrease freight costs. While the liquid category is not the Company's main product focus, this development highlights our ongoing commitment to optimising production protocols and expense management across the business. Pleasingly, our focus on operational efficiencies was complemented by more revenue momentum, where the Company achieved its best-ever October sales result."*

ENDS

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

For further information:

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