

Company Announcement  
ASX: HPC

DATE: 14/4/2023

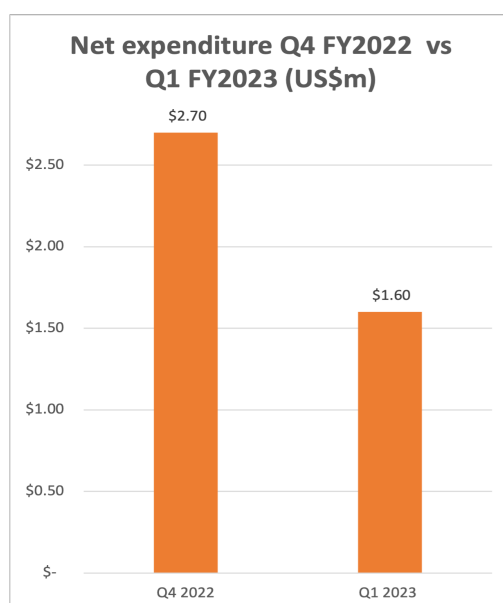
## Q1 FY2023 net cash expenditure decreased by 40%, or US\$1m, on last quarter with revenue up 32% on the PCP to US\$2.5m

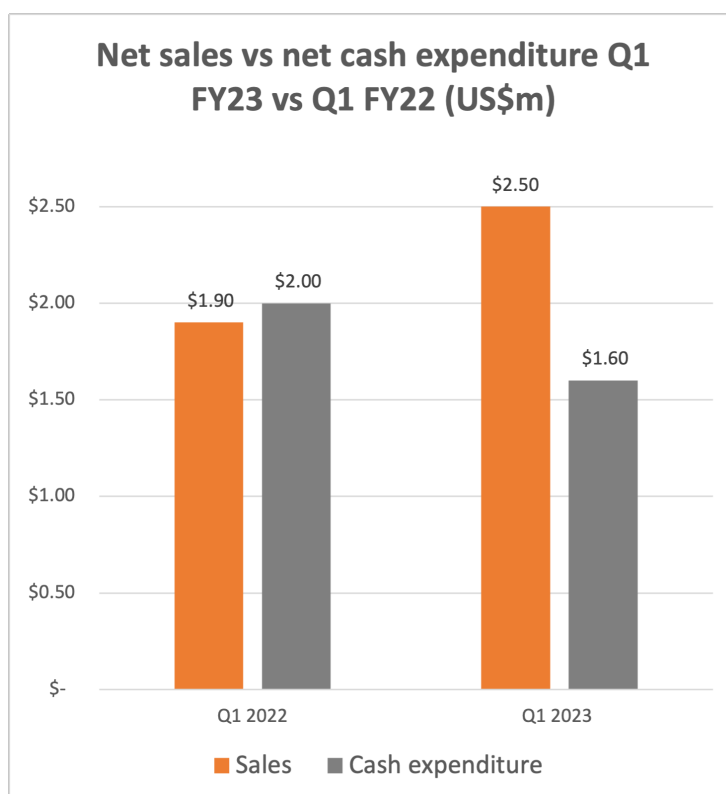
### HIGHLIGHTS

- Q1 FY2023 sales totalled US\$2.5m, up 32% from the prior comparative period (Q1 FY2022: US\$1.9m)
- 40% decrease in net cash expenditure to US\$1.6m achieved in Q1 FY2023 compared to previous quarter – lowest quarterly operating expenditure since IPO
- Results confirm strong operational momentum in product sales. Branding remains strong despite reduced marketing spend due to strong brand awareness developed in prior years
- High-demand summer period to commence shortly – expected to deliver strong sales growth through established distribution channels

Hydration solutions company **The Hydration Pharmaceuticals Company Limited (ASX: HPC)** (“**Hydralyte North America**” or “**the Company**”) is pleased confirm that recent operational momentum has converted into a strong Q1 FY2023 trading result.

The Company reported Q1 FY2023 sales of US\$2.5m, a gain of 32% from the prior year comparative period (**PCP**) (Q1 FY2022 sales: US\$1.9m). Sales momentum was accompanied by a reduction in quarterly operating costs of US\$1m, which flowed through to a 40% decrease in net cash expenditure compared to Q4 FY2022.





The significantly decreased operating expenditure marked the lowest quarterly cash spend since the Company's Initial Public Offering (IPO) in December 2021 and sets HydraLyte North America up to further drive sales growth heading into the high-demand summer period.

Consistent sales growth during the off-peak winter season is also reflective of growing brand awareness and the Company's increased traction in manufacturing and distribution across its core markets in Canada and the United States.

The Q1 FY2023 sales results was highlighted by strong momentum for HydraLyte products at Shopper's Drug Mart - the largest pharmacy network in Canada with 1,300 stores nationally – where four-week sales for the period between 13 February 2023 and 10 March 2023 surpassed C\$500,000 (*refer ASX Announcement 23 March 2023*).

HydraLyte North America's cost-management strategy has centred around a targeted reduction in discretionary marketing spend, which was successfully achieved in Q1 FY2023. The Company looks forward to providing further operational updates on the execution of its stated strategy to drive margin growth over the course of 2023 and beyond.

#### **Management commentary:**

**Chief Executive Officer Mr Oliver Baker said:** *"The Company's strong Q1 results provide a solid foundation for a year of growth in 2023. Pleasingly, the consistent top-line sales growth was achieved with a material reduction in spending in cash-burn, which reflects strong execution of the group's strategic priority to convert its existing market position into higher operational margins. The Q1 result also establishes a framework for further growth heading into the peak North American Summer period, where the Company is positioned with the infrastructure and distribution capacity to meet increased demand and generate further momentum in both top-line sales growth and gross operating margins."*

## 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 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.

