

Company Announcement
ASX: HPC

DATE: 28/2/2025

Summary of financial results for the 12-month period ended 31 December 2024

HIGHLIGHTS

- Strategic divestiture of HydraLyte's non-US assets to Prestige Consumer Healthcare Inc and associated subsidiaries, with proceeds from sale of US\$9.5m
 - Proceeds from sales underpinned a turnaround in group earnings to a consolidated net profit of US\$2.838m (2023: loss of US\$8.102m)
 - Funds from sale used to repay A\$8.2m debt facility with Pure Asset Management – leaves HPC well positioned to consolidate growth from continuing US operation with no debt and a strong cash position
 - Net cash balance as at 31 December 2024 of US\$3.217m, up from US\$1.84m as at 31 December 2023
 - Net assets of US\$2.913m as at 31 December 2024, up from (US\$358,255) as at 31 December 2023
 - Strong momentum for continuing US operations, with revenues in Q4 CY2024 of US\$768,000
 - Emerging benefits for US operations from strategic focus on high-margin SKUs and streamlined approach to continuing operations - further cost reductions post-transaction to flow through in current period
 - Company now well positioned to leverage its intellectual property in the US market across manufacturing, logistics and distribution to drive growth through established ecommerce channels, supported by a strong balance sheet
 - Post balance-date, preliminary net sales figures from US operations in January 2025 totaled US\$264,185 - up 24.5% on the PCP (January 2024 net sales: US\$212,098)
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Hydration solutions company **The Hydration Pharmaceuticals Company Limited (ASX: HPC)** (“HydraLyte North America” or “the Company”) is pleased to report on its financial and operational performance for the 12-month period ended 31 December 2024 ('FY24'), as well as provide an update on activities for Q1 FY25.

FY2024 results summary:

Operations during the 2024 financial year were highlighted by the successful divestiture of the group's non-US assets to Prestige Consumer Healthcare Inc (and associated subsidiaries) for total proceeds of ~US\$9.5m (A\$13.7m).

Completed in October 2024, the sale price marked a significant premium over HPC's market capitalisation of A\$2.7m as at 30 September 2024, and facilitated the full repayment of the Company's A\$8.2m debt facility to Pure Asset Management.

Following settlement of the debt facility, HydraLyte North America held a net cash balance of US\$3.217m as at 31 December 2024, positioning the Company with additional balance sheet strength to pursue its US-focused growth strategy.

Including the proceeds from the sale of its non-US assets, the Company reported a consolidated net profit for the period of US\$2.838m, up from a loss of US\$8.102m in FY2023.

The sale price on attractive commercial terms marked strong execution of the HydraLyte North America's stated strategy to pursue a divestiture of its non-US assets at an appropriate price which the Board determined was in the best interests of Company (refer ASX Announcement 30 August 2024).

The divestiture positions the Company with a simplified business structure with a streamlined cost base and a targeted strategy for growth in the US market through the sale of high-margin SKUs across scalable ecommerce channels.

Momentum for continuing US operations in the second half of the 2024 financial year was led by consistent growth on the Amazon USA platform, which generated five consecutive months of positive net contribution margin. The focus on high-margin SKUs also resulted in an increase to gross margins in Q4 FY2024 to 65% (historical average: 50%-60%).

Strong momentum for continuing US operations in Q1 FY2025

For the 2025 financial year to-date, HydraLyte North America has generated ongoing sales momentum for its high-margin SKU products in the US market, with a targeted focus on ecommerce channels.

Net sales in January 2025 totaled US\$264,185 – a gain of 24.5% from the prior year comparative period (January 2024 net sales: US\$212,098).

January revenues were underpinned by strong sales of key SKUs including the high-margin Liver Support product, which continues to generate pleasing sales. The Company expects additional gross margin increases to flow through on a comparative basis over the first half of 2025 reflecting the completed discontinuation of low-margin product lines.

Early-year sales momentum validates the Company's strategy to drive US growth through ecommerce sales and high-margin SKUs, following divestiture of non-US assets. Q1 FY25 revenues to-date achieved with an ongoing focus on cost savings, following completion of several one-off transition costs associated with the sale of the group's non-US assets in Q4 CY2024.

Management commentary:

Hydralyte North America CEO Oliver Baker said: *"The 2024 financial year marked a period of significant transition for the business, with the execution of the sale & divestiture process of our non-US assets. The Board and management considered that the sale offer represented attractive commercial terms and provides the Company with a unique opportunity to unlock value from its continuing US operations."*

"Of particular value strategically, the business is now positioned with no debt and a strong cash position, allowing management to focus on the growth of our US market footprint with the support of a strong balance sheet and without the additional cost burden from debt financing repayments."

"Already, we can see the benefits of this clear focus on one major market. With additional and significant cost savings through post-transaction staff changes and a capital-light ecommerce strategy, our focus has now shifted to the ongoing sale of high-margin products and maintaining our recent momentum towards the generation of positive net operating cash flows."

"With the sale process now complete, the Company is positioned to execute on our clearly stated strategy in the US market, and we look forward to rewarding our investors with the achievement of key milestones in FY2025 and beyond."

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. 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.

