

Company Announcement
ASX: HPC

DATE: 11/04/2025

Q1 CY25 sales updates: Key product suite continuing to drive growth

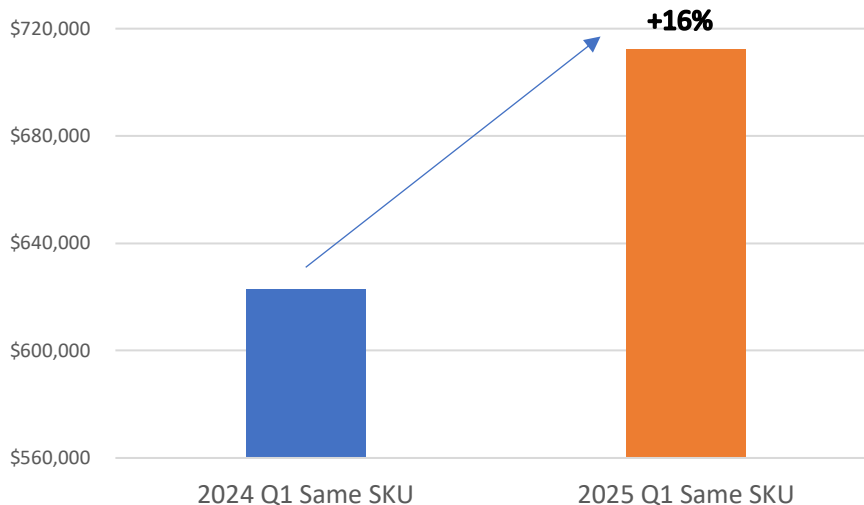
KEY HIGHLIGHTS

- **Q1 CY25 unaudited net sales from continuing US operations of US\$719,996 (A\$1.20m)**
 - **Quarterly net sales up 16% on PCP when normalised on remaining portfolio following divestiture of non-US assets and accounting for discontinued stock keeping units (SKU) in the last year**
 - **Sales growth of higher-margin SKUs shows execution of HPC's stated strategy to focus on high-margin product growth**
 - **Gross margin as a percentage of net sales of 63%**
 - **Multiple cost reduction measures executed in last quarter including staff reduction from 11 to 4 full time employees and completion of divestiture, amongst others delivering a further annualised base saving of US\$665,000**
 - **Mr Joseph Constable appointed as Non-Executive Director as of today - Joseph is an experienced investor and company director, also a former Portfolio Manager at Hancock & Gore Limited**
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Hydration solutions company **The Hydration Pharmaceuticals Company Limited (ASX: HPC)** ("**Hydralyte USA**" or "**the Company**") is pleased to advise that it has delivered US\$719,996 (A\$1.20m) in unaudited net sales from continuing US operations for the three-month period ended 31 March 2025 (the 'quarter'). The Company is also pleased to announce that new Non-Executive Director, Mr Joseph Constable has been appointed to the Board as of today (refer ASX announcement: 18 March 2025).

When normalised for comparison on the Company's remaining portfolio ex-Canada divestment and accounting for discontinued stock keeping units (SKU), sales increased 16% on the previous corresponding period (Q1 CY24 sales on a same SKU basis: US\$622,713 or A\$1.03m). This highlights execution of the Company's strategy to focus on high-margin SKU growth in the US market.

Same SKU comparison of go-forward US product line (USD)



Gross margin as a percentage of net sales was 63%. Gross margin increase directly reflects the completion of discontinuation of the Company's low-margin product lines and is expected to flow through over coming quarters.

The Company has also implemented a number of initiatives to reduce operating expenditure, which were completed in the last quarter. These included a significant reduction in full time employees from 11 to 4, which is expected to result in cost savings of up to US\$665,000 per annum. As well, further savings are expected to flow through from the relocation of financial duties to Australia, completion of historical marketing campaigns and finalisation of divesture transition resulting in the company's core focus on the US market.

Following the execution of these cost reduction exercises and pending new product development initiatives, which are focused on high-margin SKUs targeting brain and gut health, the Company remains well placed to continue its operational and financial momentum.

Management commentary:

Chief Executive Officer, Mr Oliver Baker said: "March quarter sales have provided pleasing validation of our strategy to discontinue low-margin products and focus on higher-margin SKUs which are resonating with consumers in the US. On a same SKU range comparison, the Company has achieved 16% growth, which has also underpinned a strong gross margin of 63% for the period. Alongside a number of completed cost reduction measures and pending new product launches, HydraLyte USA is very well placed to advance its pathway to breakeven and profitability."

ENDS

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

For further information:

Investors/Media

Henry Jordan
Six Degrees Investor Relations
0431 271 538
henry.jordan@sdir.com.au

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 USA. 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.

ⁱ Based on a USD to AUD exchange rate of \$1.66 as at 8 April 2025

