

Company Announcement
ASX: HPC

DATE: 23/3/2023

Record off-peak sales achieved with large Canadian retailer and \$US400k saved on reduced marketing spend

HIGHLIGHTS

- **Record off-peak product sales at Shopper's Drug Mart, Canada's largest Canadian pharmacy chain**
- **Four week retail sales surpassed C\$500,000 for only the second time in Company history, achieved during the winter months which are typically lower-demand**
- **Represents +88% retail sales growth at Shopper's Drug Mart on the prior comparative period (PCP)**
- **Successful implementation of significant cost-cutting initiatives in Q1 CY2023, with a material reduction in discretionary marketing spend on Amazon USA advertising**
- **Year-to-date expense reductions on Amazon US ad spend of 35% on PCP while maintaining sales growth, resulting in cash saving on Amazon USA alone of +US\$400,000**

Hydration solutions company **The Hydration Pharmaceuticals Company Limited (ASX: HPC)** ("Hydralyte North America" or "the Company") is pleased to provide the following trading update, highlighting the group's continued momentum in the North American market during Q1 CY2023.

Ongoing momentum in Canada:

Recent sales were highlighted by particularly strong growth across Canada, where sales for the four-week period between 13 February 2023 and 10 March 2023 at Shopper's Drug Mart surpassed C\$500,000 for just the second time in the Company's history.

With over 1,300 store locations nationally, Shopper's Drug Mart is the largest pharmacy network in the Canadian market.

The four-week sales result was achieved during the off-peak winter months, where demand for Hydralyte products is typically lower than the peak summer period when the previous +C\$500,000 sales figure was reported in summer 2022.

It also marked an 88% increase for retail sales at Shopper's Drug Mart on the prior comparative period (PCP), illustrating a sign of increased awareness off the back of the Shay Mitchell partnership launch in Q4 2022.

Continued Amazon USA sales growth with significantly reduced marketing spend:

Concurrent with its strong recent sales momentum, Hydralyte North America has also executed on its stated strategy to reduce costs, predominantly through a reduction in discretionary marketing spend.

In the US market, Hydralyte North America has maintained growth on the Amazon USA platform with a 35% in marketing spend from the PCP, which has resulted in cash savings of ~US\$418,000 on the Amazon USA platform alone so far in the March quarter.

The Company expects to make further targeted reductions in overall operating spend over the coming months.

Management commentary:

Chief Executive Officer Mr Oliver Baker said: *"These positive trading results highlight the ongoing sales momentum for Hydralyte products across Canada and the USA.*

"The sharp rise in Shopper's Drug Mart sales during a traditional off-peak season marks evidence of a possible step-change for Hydralyte sales in the Canadian market leading up to and during the busy summer months in the middle of the calendar year.

"Accompanying this exciting dynamic, the Hydralyte brand continues to find strong traction in the US market where it is building off the positive flow-on effects from strategic capex initiatives to expand manufacturing and distribution, combined with innovative marketing campaigns including the ongoing partnership with brand ambassador Ms Shay Mitchell.

"Importantly, the group's early momentum in CY2023 is indicative of strong execution on a strategy that the Board and management team has clearly stated to the market; to maintain consistent sales growth with a reduced cost base, improving per-unit economics and improved cash flow.

"Hydralyte North America is well positioned to meet these revenue-cost targets as a result of the hard work carried during the course of 2022, and we look forward to providing more trading 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.

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