

Company Announcement
ASX: HPC

DATE: 30/6/2023

Record sales day on Amazon Canada ahead of Shay Mitchell co-branded product launch

HIGHLIGHTS

- **Strong Q2 momentum on Amazon Canada, highlighted by daily retail sales record surpassing +C\$10,000 for the first time ahead of the peak northern summer period**
 - **Q2 FY2023 Amazon Canada retail sales now total C\$742,041, up 47% on the PCP and 30% on last quarter – Amazon Canada ad spend also decreased 25% on the PCP**
 - **Recent sales momentum complemented by the launch of co-branded SKU on Amazon Canada with brand ambassador Shay Mitchell, following strong debut in US market**
 - **Amazon Canada sales result achieved with ongoing reduction in marketing costs and ad spend, consistent with broader Q2 operating momentum**
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Hydration solutions company **The Hydration Pharmaceuticals Company Limited (ASX: HPC)** (“Hydralyte North America” or “the Company”) is pleased to provide the following update on Canadian ecommerce sales growth, which includes achieving its first C\$10,000 day in retail sales via Amazon Canada, and the launch of co-branded product with renowned entrepreneur and brand ambassador, Ms Shay Mitchell (refer ASX announcement: 29 March 2022).

The Company’s record daily retail sales total via Amazon Canada occurred prior to the Company’s peak sales period during the North American summer months.

The record retail sales day highlights the ongoing execution of Hydralyte North America’s strategy to drive sales growth, with an ongoing reduction in marketing spend. In quarter-to-date Q2 FY2023, Amazon Canada ad spend totalled C\$158,275, a 25% decrease on the previous corresponding period (PCP) (Q2 FY2022: C\$212,086). As a percentage of sales, quarter-to-date Q2 FY2023 advertising costs decreased to 24% from 57% in the previous corresponding period.

Total Amazon Canada retail sales during Q2 FY2023 now total C\$742,041, a 47% increase on the PCP and a 30% rise on the last quarter (Q1 FY2023 Amazon Canada retail sales: C\$571,219).

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Launch of Shay Mitchell’s co-branded SKU on Amazon Canada:

Hydralyte North America introduced the co-branded stockkeeping unit (SKU) on Amazon Canada on Friday, 23 June 2023, marking the official launch of the product in Ms Mitchell’s home market. The Canadian expansion follows a successful launch for the co-branded product in the USA, which effectively leveraged Ms Mitchell’s global following to drive increased retail sales growth.

The co-branded SKU has been launched in two sizes via Amazon Canada; a twelve-stick box, as well as a larger 30 stick value pack for higher margin sales across ecommerce channels.

Hydralyte North America is also expected to launch the SKU through the group’s established retail distribution channels throughout Canada in August. The traditional bricks and mortar expansion will be complemented by promotional events featuring Ms Mitchell to provide additional marketing collateral, with the potential to translate into additional sales growth.

The Company intends to leverage its number two position in the hydration brand category for Canadian pharmacy and grocery stores (refer ASX announcement: 2 May 2023), large traditional retail footprint which includes Shopper’s Drug Mart (the largest pharmacy network in Canada with 1,300 stores nationally) and established distribution to further drive cost effective Canadian retail sales growth. The launch is also expected to create a multiplier effect, serving to promote other SKUs in the Company’s range.

Management commentary:

Chief Executive Officer Mr Oliver Baker said: “We are very excited to have launched Shay’s co-branded SKU through Amazon Canada. As a Canadian, Ms Mitchell has an exceptionally large and loyal following across the country and we are confident her product will resonate with shareholders.”



“An intensive bricks and mortar launch is also planned for the coming weeks, which will see the product introduced across our established national footprint alongside a dedicated marketing campaign. This will also expand the visibility for the Company’s other products across Canada during the high peak summer sales period.”

“Alongside the launch, the Company has also achieved a major milestone by generating over C\$10,000 in retail sales via Amazon Canada for the first time on a significantly reduced ad spend. This reiterates the Company’s stated strategy, to leverage the brand awareness established through its marketing program to-date and maintain revenue growth with a material reduction in costs.”

The numbers included in this announcement have not been audited and are in CAD unless otherwise stated.

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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