

Company Announcement
ASX: HPC

DATE: 19/7/2023

June quarter sales accelerate to new record highs with surge in Amazon North America sales in July

HIGHLIGHTS

- Record unaudited net sales in Q2 CY2023 of US\$2.8m - up 24% on the prior year comparative period (PCP) and 10% higher than the last quarter
- Net sales result achieved with ongoing reduction in marketing costs, which fell by 27% on the PCP to US\$0.9m
- Marketing spend as a percentage of sales for the quarter dropped dramatically on the PCP from 55% to 33%
- Strong start to Q3, with consolidated US and Canadian Amazon Prime Day 48-hour gross sales of over US\$120,000 (on a currency-adjusted basis¹) following the two-day sales promotion,
- Amazon Prime Day promotion resulted in approximately a more than a 5X daily jump in Canadian Amazon sales and a 3X daily jump in US Amazon sales²
- Ongoing performance leaves the Company well positioned to capitalise on its recent momentum to drive further growth during the busy northern summer months

Hydration solutions company **The Hydration Pharmaceuticals Company Limited (ASX: HPC) (“Hydralyte North America” or “the Company”)** is pleased to present its latest trading update, which marked a continuation of the group’s recent success in driving revenue growth with a material reduction in marketing spend.

Across its North American operations, the Company reported record-high preliminary net sales for Q2 CY2023 of US\$2.8m, an increase of 24% on the prior year comparative period (US\$2.2m) and a 10% increase on Q1 CY2023 (US\$2.5m).

Consistent growth in net sales was achieved with the successful execution of HydraLyte North America’s targeted strategy to reduce marketing costs. The 24% increase in PCP sales was accompanied by a 27% decrease in preliminary marketing spend of US\$903,000 (PCP: US\$1.2m). Pleasingly, marketing spend as a percentage of sales for the quarter dropped significantly on the PCP from 55% to 33%.

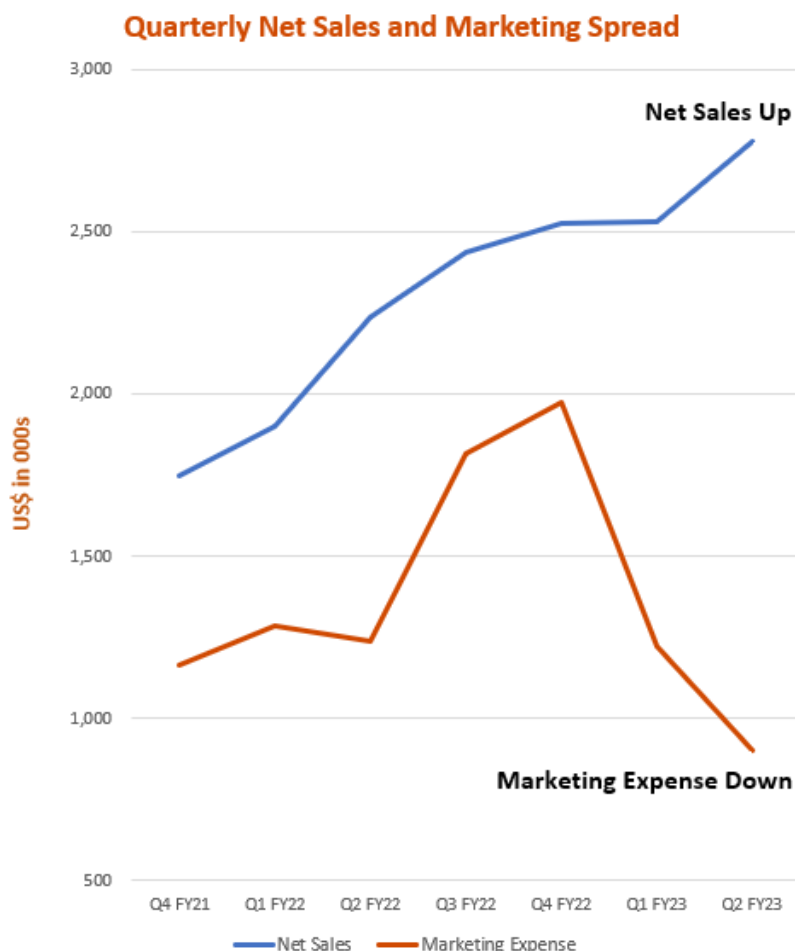
The result underlines the group’s recent operating momentum heading into the busy northern summer months (July and August), with Q2 figures highlighted by a strong month in June.

¹ Based on a CAD to USD FX rate of \$0.76

² Based on the average sales volumes from Amazon USA and Amazon Canada during the ten day period prior to Amazon Prime Day

Preliminary net sales in June totalled US\$1.1m on marketing spend of US\$360,000, up from net sales of US\$949,659 on marketing spend of US\$529,116 in June 2022.

The result meant that marketing costs as a percentage of net revenue on a trailing three-month basis continued to decline for the seventh straight month in June 2023 to another record low.



Pleasingly, the Company followed up another consistent quarter of consistent revenue growth and reduced marketing expenses with a strong start to the month in July 2023, highlighted by record revenues on Amazon during the Prime Day sales promotion on 11 July and 12 July.

48-hour sales on Amazon USA and Amazon Canada totalled over US\$120,000 on a currency-adjusted basis¹ – a record high for Prime Day sales of HydraLyte North America products.

The sales boost from the Prime Day promotion highlights a robust start to Q3 and follows strong momentum achieved via the sales channel during Q2 (refer ASX announcement: 30 June 2023). As well, the sales results highlight the Company’s established ecommerce footprint in both the US and Canada.

The Company is also continuing to achieve positive flow-on effects from pre-existing marketing agreements including its range of co-branded products with prominent actress, entrepreneur and existing brand ambassador Shay Mitchell.

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With further confirmation of its positive recent operating trends in Q2 and early Q3 CY2023, the Company looks forward to providing more updates over the northern summer period as it continues to consolidate its strategy and market position in the North American market.

Management commentary:

Chief Executive Officer Mr Oliver Baker said: *“Today’s update confirms the strong operating momentum that we witnessed emerging in the first half of the June quarter, and we are pleased to head into the start of Q3 with more strong trading results.*

“For our investors, this result marks the latest round of execution in our clearly stated strategy to convert our market position and branding efforts to-date into consistently strong revenue growth with an ongoing reduction in marketing spend, resulting in a bigger percentage of topline sales flowing through to bottom line earnings.

“In addition, the strong start to Q3 – highlighted by a record sales result during the Amazon Prime Day promotion – leaves us well positioned to capitalise on our strong operating momentum during the busy northern summer period. We look forward to providing additional updates on operations as HydraLyte North America continues to gain traction as a leading consumer brand in the US and Canada.”

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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