

Company Announcement
ASX: HPC

DATE: 5/9/2023

July 2023 sales increase 15% on PCP following a 49% reduction marketing spend

HIGHLIGHTS

- Preliminary net sales in July 2023 of US\$954,429 – up 15% on the prior year comparative period (July 2022: \$810,816)
 - July sales growth concurrent with material reduction in marketing spend – down 49% on the prior year comparative from ~US\$642,454 to US\$327,145
 - Sales result highlights consistent execution of the clearly stated strategy to maintain sales growth with an ongoing reduction in marketing spend
 - Recent sales highlight commencement of strong traction for northern summer period with marketing expenditure expected to reduce further
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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 sales growth and cost reductions achieved in July 2023, highlighting another month of strong momentum in the Company’s stated strategy.

Preliminary net sales for July totalled US\$954,429, an increase of 15% on July 2022 (prior year comparative period). Reaffirming the group’s ongoing cost focus, the sales result was achieved with another large reduction in marketing spend, down 49% to US\$327,145 (PCP: US\$642,454).

The result further demonstrates that the Company’s consistent revenue growth combined with its ongoing cost reduction is flowing through to improved earnings metrics, with marketing expense as a percentage of net sales decreasing to 40% in July 2023, down 27% from 67% in July 2022.

July sales included a strong result during the Amazon Prime promotion on 11 and 12 July (refer ASX announcement: 19 July 2023), where 48-hour sales on Amazon USA and Amazon Canada amounted to over US\$120,000 (currency adjusted¹).

This was a new record high for Prime Day sales of Hydralyte North America products and highlighted the effectiveness of the promotion in terms of increased brand awareness and introducing new customers to the product range.

The strong trading result in July lays the foundation for the potential for another strong quarter of growth in Q3, after Hydralyte North America reported record-high unaudited net sales for the June quarter of US\$2.775m. Results to-date in August further confirms that the Company’s consistent in-

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

market presence and previous brand awareness campaigns are converting into strong sales during the high-demand northern summer months.

Concurrently, the 49% decrease in marketing spend marked another material reduction, following on from Q2 where the company achieved record sales with a 27% fall in marketing costs on the PCP.

With its ongoing success in effective cost reduction measures, HydraLyte North America continues to execute on its clearly stated strategy to convert its existing brand awareness in North America into consistent sales while lowering expenses and driving growth in net earnings.

The Company will continue to provide updates on the execution of this strategy through the second half of CY2023.

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

Management commentary:

Chief Executive Officer Mr Oliver Baker said: *“July marked another strong month for the Company, highlighted by another major reduction in marketing spend which will flow through to stronger net earnings. To generate another month of comparative monthly sales growth while almost halving our marketing spend is the clearest indicator yet of the traction HydraLyte North America products have now achieved in our core target markets.*

“As our revenue and cost trends continue to strengthen, we are confident of converting this momentum into a step-change for the Company that will position HydraLyte North America as a leading and trusted consumer goods brand across North America 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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You must not place undue reliance on these forward-looking statements.

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