

Company Announcement
ASX: HPC

DATE: 31/7/2025

Q2 FY25 Quarterly Report and Appendix 4C: Increased net sales and ongoing EBITDA improvement underpin growth

HIGHLIGHTS

- Quarterly net sales of US\$781,825 – up 8.5% on last quarter (Q1 CY25: US\$720,177) and equivalent to an annual growth rate of 34%
- New SKUs in gut and brain health segments expected to launch in the coming weeks following successful initial manufacturing run
- Net cash used in operating activities (excluding one off costs) down to US\$686,000, marking a 46% improvement on the PCP
- Gross margin on net sales of 64% - consistent with Q1 CY25 and up from 54% on PCP (Q2 CY24)
- Robust cash balance at quarter-end of US\$1.73m with an additional A\$445,000 received post quarter end following completion of rights issue shortfall placement

Hydration solutions company **The Hydration Pharmaceuticals Company Limited (ASX: HPC)** (“Hydralyte USA” or “the Company”) is pleased to provide the following update on its operational and financial performance for the three-month period ended 30 June 2025 (the “quarter”).

Q2 CY25 represented the first full quarter of trade without most costs associated with the completion of the divestiture of non-US assets to Prestige Consumer Healthcare Inc. The Company generated improved monthly net sales from a streamlined business model with a reduced headcount and lower operating costs.

Management commentary:

CEO Mr Oliver Baker said: “Through Q2 CY25, the company has continued to take a disciplined approach across the business, reflected by pleasing top line growth, consistently strong gross margins and another period of meaningful reduction in EBITDA loss. This has laid a strong foundation ahead of the US summer months, which are traditionally a peak sales period.”

“From an operational standpoint, we have advanced a number of value accretive milestones, including the maiden production run of two new product lines which will target the lucrative brain and gut health market segments in the USA. We expect these new product launches to build off the successful rollout of our Liver Detox product, which has already delivered a material uplift in the group’s sale profile. Pending final quality control checks, we expect first sales of these new SKUs in the coming weeks – providing the Company with another potential high-margin sales channel to complement our recent operating momentum in the US market.”

Operational overview:

New product launch progress:

As advised in the prior quarter, HydraLyte USA has secured a production agreement with a leading US manufacturer to launch two new high-margin stock keeping units (SKUs), focused on brain and gut health. During Q3 CY25, the Company completed its first manufacturing run of these new products.

The Company is confident that first sales of these new SKUs will occur in August 2025. The focus on new product development initiatives is anticipated to complement the ongoing success of HydraLyte USA's high-margin Liver Detox SKU.

Both new brain and gut focused product launches have followed extensive market research and flavour profile development based around existing and emerging trends in the Better-For-You category.

Sales of the new product launches are expected to bolster momentum for HydraLyte USA's sales profile heading into the high-demand northern summer period during Q3 CY25.

Financial overview:

During the period, HydraLyte USA delivered net sales of US\$781,825, marking an 8.5% increase on the prior quarter (Q1 CY25 net sales: US\$720,177). The increase in net sales was underpinned by strong trading during May CY25 which delivered US\$308,000, a 34% increase on April and the highest monthly sales to date in the calendar year. Gross margin was consistent on last quarter at 64% and increased by 10 percentage points on the prior corresponding period (Q2 CY24 gross margin: 54%).

Contributing margin (excluding trade advertising spend) during Q2 CY25 totalled US\$325,221. This further supports the established trend towards positive EBITDA and cashflow breakeven, with additional opportunities identified to streamline operations and scale gross profit.

Net cash used in operating activities continued to improve from US\$1.18m in the prior quarter, to US\$732,000 in Q2 CY25, despite higher administrative and corporate costs incurred this quarter due to timing of payments to auditors and other professional services.

This improvement was due to the completion of all major one-off cash payments in connection with the completion of the Company's sale of non-US assets and the reduction in group workforce which occurred during Q1 CY25.

Net cash used in operating activities during Q2 CY25 excluding one-off costs totalled US\$686,000, which marked a 3% improvement on last quarter on a like for like basis.

Q2 CY25's unaudited EBITDA loss marks the lowest in recent Company history and further demonstrates progress towards the Company's target of positive EBITDA.

As at 30 June, the Company held US\$1.73m of cash at bank which has been bolstered by the receipt of A\$445,000 post period end, following completion of a shortfall placement related to the Company's non-renounceable rights issue. Based on the Company's considerably reduced cost base and increased net sales trends, the Board considers this sufficient to support near-term growth and working capital requirements, ahead of the upcoming US summer months – traditionally a peak sales period.

Corporate:

Subsequent to the end of the quarter, the Company advised it had successfully placed the shortfall to the pro rata entitlement offer (Rights Issue), announced on 18 March 2025. The Company issued 5,000,000 fully paid ordinary shares (Shares) at an issue price of \$0.01 per Share. This takes the final total funds raised under the Rights Issue to \$608,878.53 (before costs) with A\$445,000 received this quarter, further strengthening HydraLyte USA's cash balance.

ENDS

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

For further information:

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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 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.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

The Hydration Pharmaceuticals Company Limited

ABN

83 620 385 677

Quarter ended ("current quarter")

30 June 2025

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	596	1,184
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(249)	(626)
(c) advertising and marketing	(308)	(576)
(d) leased assets		
(e) staff costs	(279)	(629)
(f) administration and corporate costs	(446)	(751)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)	(46)	(514)
<i>Relates to CA related expenditure paid on behalf of Prestige, to be reimbursed</i>		
1.9 Net cash from / (used in) operating activities	(732)	(1,912)

2. Cash flows from investing activities
2.1 Payments to acquire or for:

- (a) entities
- (b) businesses
- (c) property, plant and equipment
- (d) investments

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
	(e) intellectual property		
	(f) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities		

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	107	516
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(8)	(44)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	99	471

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,388	3,217
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(732)	(1,912)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)		
4.4	Net cash from / (used in) financing activities (item 3.10 above)	99	471
4.5	Effect of movement in exchange rates on cash held	(19)	(40)
4.6	Cash and cash equivalents at end of period	1,736	1,736

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	1,736	2,388
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,736	2,388

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities		
7.5 Unused financing facilities available at quarter end		
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$US'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(732)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,736
8.3 Unused finance facilities available at quarter end (item 7.5)	
8.4 Total available funding (item 8.2 + item 8.3)	1,736
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.37
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer:	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date:31 July 2025.....

Authorised by:The Board.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.