

Company Announcement  
ASX: HPC

DATE: 31/10/2025

## **Q3 FY25 Quarterly Report and Appendix 4C: US sales and margin growth as streamlined model drives cost reductions**

### **HIGHLIGHTS**

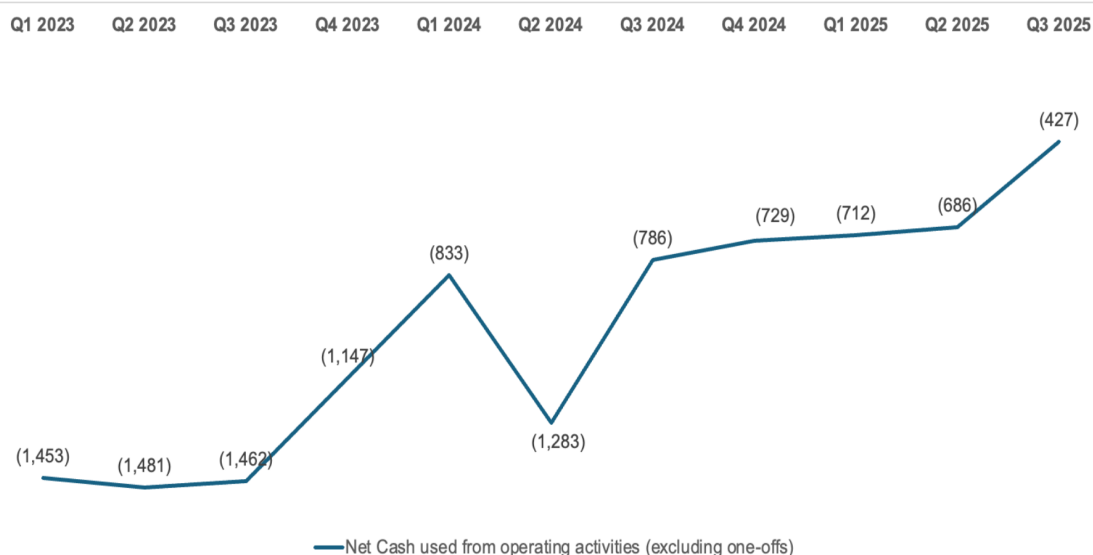
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- **Net cash used in operating activities (excluding one-offs) improved significantly and down to US\$427,000 – marks a 42% improvement on previous quarter (Q2 FY25: US\$686,000)**
  - **Quarterly net sales of US\$694,143 – up 6% on previous corresponding period (Q3 CY24: US\$653,409) and in line with previous quarter due to one-off inventory issue**
  - **Improved October CY25 net sales following inventory solutions highlighting top-line improvement to start Q4 CY25**
  - **Gross margin on net sales of 65% - consistent with Q2 CY25 (Q2 CY25 gross margin: 64%)**
  - **Two new products successfully launched in lucrative gut and brain health segments to underpin potential sales growth in coming months**
  - **C.A. Fortune appointed as complementary US sales broker to focus on expanding newly developed high margin products into premium US natural retailers**
  - **Robust cash balance at quarter-end of US\$1.66m following receipt of rights issue funding**
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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 September 2025 (the “quarter”).

Q3 CY25 marked the Company’s first period of full trading with a streamlined business model which underpinned an improvement in operating costs. The Company was able to generate consistent sales for the period, alongside the successful launch of two new products in the lucrative brain and gut health segments and the appointment of a leading sales brokerage firm to drive US retail expansion.

Net cash used in operating activities (excluding one-offs) continued to improve from US\$686,000 in the prior period to US\$427,000 in Q3 CY25 (net of US\$74,000 Prestige Brands reimbursements for Canadian operations) – a 42% improvement on a quarter-on-quarter basis and the lowest in operating history.



## **Operational overview:**

### **New product launches:**

During the quarter, HydraLyte USA expanded its high-margin product range with the launch of two new functional products under the HydraLyte Plus line – Metabolic Support and Brain Support – each designed to target key health and wellness segments while supporting margin growth and diversification in the US market.

The HydraLyte Plus Metabolic Support product was the first to launch, achieving initial sales through Amazon USA and other online channels. The formulation combines electrolytes with prebiotics, probiotics, and postbiotics, featuring Akkermansia muciniphila as a key active ingredient that promotes gut microbiome health and supports GLP-1 production for metabolic balance. The product is positioned within the fast-growing US prebiotic and probiotic supplements category — valued at over US\$840 million annually.

Following this, the Company launched HydraLyte Plus Brain Support. The product integrates electrolytes with natural nootropics and adaptogens including Lion's Mane, Reishi, Cordyceps, and organic 5-HTP to enhance focus, mood, and cognitive performance. The launch strengthens HydraLyte's positions at the intersection of hydration and functional wellness — two of the fastest-growing consumer health segments — and establishes the Company as one of the few electrolyte brands in the US offering a flavoured soluble mushroom-based formula on Amazon.

Together, the new product introductions strengthen HydraLyte USA's presence in premium health categories, broaden its consumer reach, and reinforce its strategy to grow sales and profitability through innovation-driven, high-margin SKUs.

### **Appointment of complementary US sales broker to drive US retail sales growth:**

The Company strengthened its retail expansion strategy during the quarter through the appointment of C.A. Fortune as a complementary national sales broker in the US.

C.A. Fortune is one of the country's leading natural food sales and marketing agencies, representing more than US\$4.5Bn in annual sales and employing a team of over 1,500 professionals across the US.

The partnership will focus on driving the distribution of HydraLyte's recently launched, high-margin products into natural retail channels, supporting the Company's broader goal of increasing market penetration and accelerating retail sales.

With extensive expertise in scaling emerging health and wellness brands, C.A. Fortune's appointment leaves HydraLyte USA well positioned to access a national retail network and enhance category visibility alongside some of the largest consumer health names in the US market.

**Financial overview:**

During the period, the Company delivered net sales of US\$694,143, marking a 6% increase on the previous corresponding period (Q3 CY24: US\$653,409). Quarter on quarter net sales decreased slightly, due to a one-off inventory issue with Amazon USA, which was quickly rectified and has allowed October CY25 sales to improve based on September CY25. Gross margin was consistent on last quarter at 65% (Q2 CY25 gross margin: 64%) and up 4 percentage points on the PCP (Q3 CY24 gross margin: 61%).

Contributing margin (excluding trade advertising spend) during Q3 CY25 totalled US\$291,000, supporting 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\$732,000 in the prior period to US\$353,000 in Q3 CY25 – a 52% improvement on a quarter-on-quarter basis and the lowest in operating history. Excluding one-offs, net cash used in operating activities improved by 42% on a quarter-on-quarter basis to \$427,000.

This improvement was primarily due to the completion of costs associated with workforce reduction and finalisation of all cash payments in connection with the completion of the Company's sale of non-US assets. Q3 CY25's unaudited EBITDA loss further demonstrates progress towards the Company's target of positive EBITDA.

As at 30 September, the Company held US\$1.66m cash at bank, which was strengthened following receipt of the shortfall placement related to the Company's non-renounceable rights issue which added A\$445,000. The Board is pleased with management efforts to decrease the Company's cash burn through a combination of cost reductions and net sales growth, and continues to evaluate strategic options to further unlock value and accelerate EBITDA breakeven.

**Management commentary:**

**CEO Mr Oliver Baker said:** *"This quarter marked an important step forward for HydraLyte USA as we begin to see the benefits of our streamlined US-focused operating model flow through to the bottom line. The significant reduction in cash outflows and consistent gross margins reflect the discipline and focus we've applied across the business. At the same time, we've continued to invest in growth, launching two new functional wellness products in the fast-growing gut and brain health segments and appointing C.A. Fortune to expand our retail presence across the US. These initiatives strengthen our position in premium health categories and set the stage for accelerating sales momentum into the December quarter."*

**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 September 2025

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$US'000</b>	<b>Year to date (9 months) \$US'000</b>
<b>1. Cash flows from operating activities</b>			
1.1 Receipts from customers		626	1,811
1.2 Payments for			
(a) research and development			
(b) product manufacturing and operating costs		(273)	(898)
(c) advertising and marketing		(279)	(855)
(d) leased assets			
(e) staff costs		(239)	(868)
(f) administration and corporate costs		(263)	(1,014)
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)		74	(440)
<i>Relates to reimbursement of CA related expenditure paid on behalf of Prestige from prior periods</i>			
<b>1.9 Net cash from / (used in) operating activities</b>		<b>(353)</b>	<b>(2,265)</b>
<b>2. Cash flows from investing activities</b>			
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 (9 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	<b>Net cash from / (used in) investing activities</b>		

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	294	810
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	(19)	(63)
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	<b>Net cash from / (used in) financing activities</b>	<b>275</b>	<b>747</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,736	3,217
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(353)	(2,265)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 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)	275	747
4.5	Effect of movement in exchange rates on cash held	5	(34)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>1,664</b>	<b>1,664</b>

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	1,664	1,736
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,664</b>	<b>1,736</b>

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>		

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$US'000</b>	<b>Amount drawn at quarter end \$US'000</b>
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	<b>Total financing facilities</b>		
7.5	<b>Unused financing facilities available at quarter end</b>		
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.		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$US'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(353)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,664
8.3	Unused finance facilities available at quarter end (item 7.5)	
8.4	Total available funding (item 8.2 + item 8.3)	1,664
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;">4.72</div>
<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?	
	<div style="border: 1px solid black; padding: 5px; min-height: 30px;">Answer:</div>	
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?	
	<div style="border: 1px solid black; padding: 5px; min-height: 30px;">Answer:</div>	
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?	
	<div style="border: 1px solid black; padding: 5px; min-height: 30px;">Answer:</div>	
<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 October 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.