



HYDRATE DRINKS GROUP LIMITED

Rights Issue 2025: Financial Forecasts

INTRODUCTION

This document is for the shareholders of Hydrate Drinks Group Limited ("Hydrate", "HDG", "the Company") and is provided alongside the Letter to All Shareholders of Hydrate Drinks Group Limited RE: Rights Issue of New Ordinary Shares in Hydrate Drinks Group Limited ("the Offer Letter"). This document is best read in conjunction with the FY25 Q2 Shareholder Reporting Pack that was provided alongside the Offer Letter. The commentary provided in that document, and the Offer Letter, provides additional context to the forecasts provided in this document.

Hydrate requires additional funds to be able to purchase the working capital (raw materials, packaging etc) and recruit the necessary people to be able to fulfil the newly awarded supply contracts with its customers. The Board has resolved to make an offer to its shareholders to raise approximately £3,000,000 through a rights issue. This document includes two separate sets of (pre-investment) financial forecasts to help inform each shareholder's decision to participate within the Rights Issue 2025:

1. Scenario 1: Base Case

The Base Case financial forecasts represent a snapshot of the current state of the Company and only include secured and contracted revenue with existing Customers, launching on the timelines already agreed with Customers. This represents the minimum state of the Company and therefore plateaus out in FY28 when all new contracts have successfully launched. There is no 'blue sky' new SKU launches included in this scenario.

Due to the significant size of contracts successfully won by Hydrate, the Company has sought contract manufacturing support through established partners in the UK and internationally to help deliver the contracts on time and in full. The financial forecasts demonstrate that this does negatively impact gross margin as these contracts launch, however it enables the Company to scale rapidly to meet the growing demand for its products.

This scenario includes all necessary recruitment and other operating expenditure necessary to deliver the secured contracts and includes the servicing of all financial obligations.

2. Scenario 2: European Launch Case

The European Launch case represents the scenario where the Company successfully tenders for and is awarded a significant supply contract across Europe. Hydrate was advocated to tender for this contracted by an existing major UK retail customer. This is a significant opportunity for Hydrate to expand geographically and prove itself in the global market and potentially presents an opportunity to expand into the Americas in due course (not included in this scenario)

This scenario is built on top of the Base Case scenario, so all financial assumptions made within the Base Case scenario also apply within the European Launch Case scenario unless specified otherwise.

Not included in either scenario are the ongoing discussions and business development work with potential new customers including Morrisons, Sainsbury's and Tesco. The Hydrate team is heavily investing in relationships with many of these potential customers interested in launching Hydrate's signature flavoured waters, amongst other private-label and branded SKUs. Regardless of scenario, the manufacturing capacity of Hydrate's Innovation Centre is being exceeded, and contract manufacturing support is required. The Board is aware that contract manufacturing is not sustainable in the long term and is consider options regarding the expansion of production capacity that will preserve margin whilst facilitating the rapid growth Hydrate is experiencing.

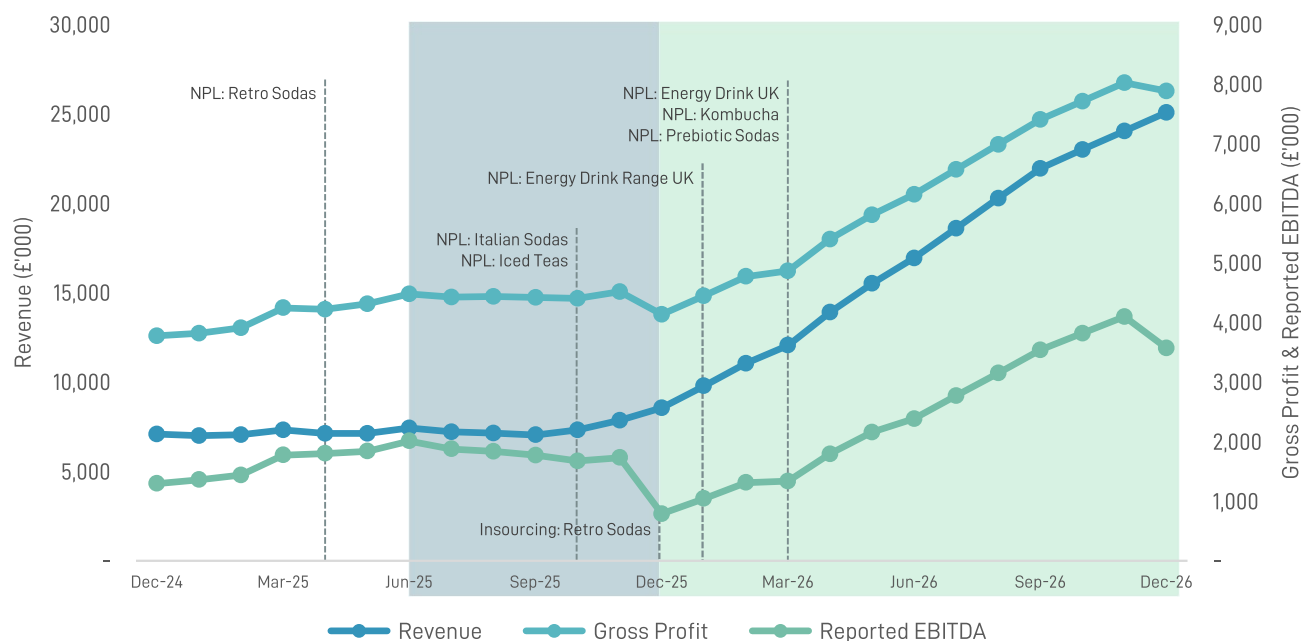
These forecasts are designed to provide shareholders with the necessary information to facilitate decision-making regarding taking up their rights as part of the Rights Issue 2025 process.



BASE CASE

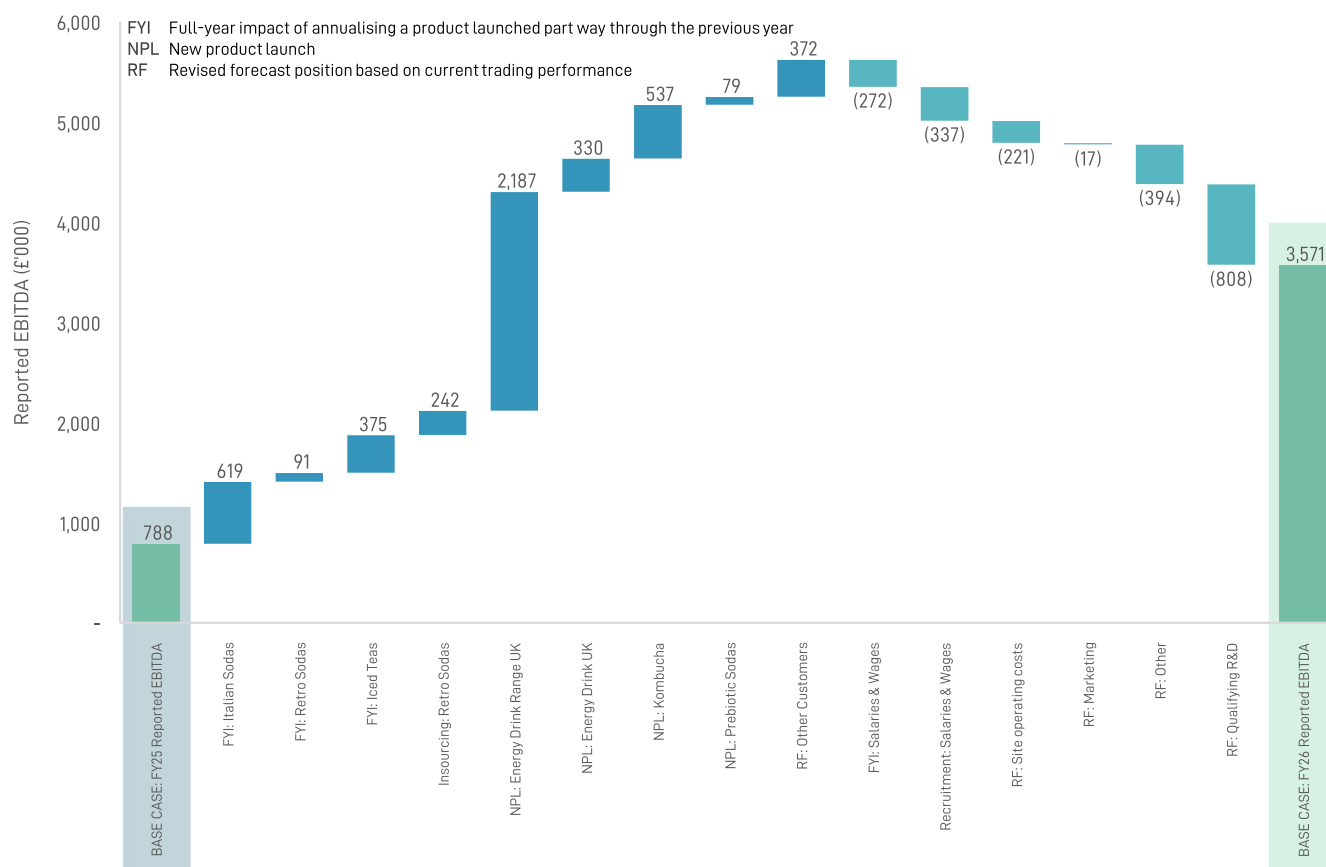
Rights Issue 2025: Financial Forecasts

BASE CASE: LTM RUN RATE PROFIT & LOSS

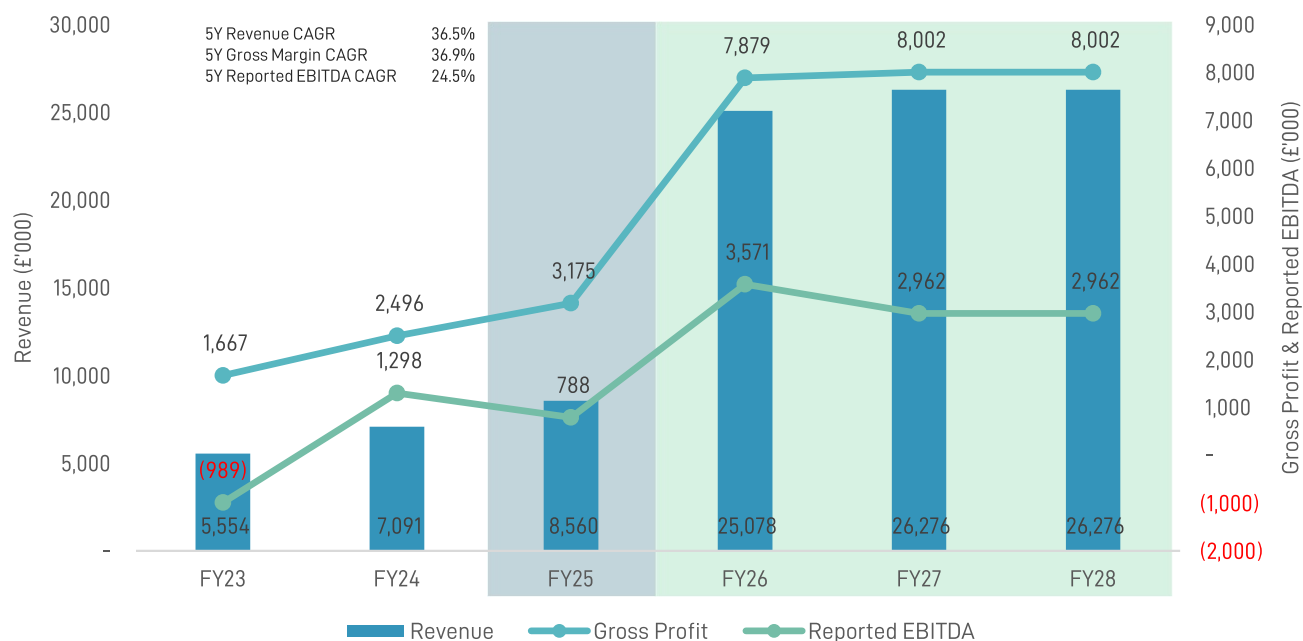


Note: Dec-24 includes year-end adjustments. The FY24 R&D year-end adjustment has been reversed out and reported separately and apportioned across the entire year. Reported EBITDA reconciles to the FY24 Statutory Accounts. FY25 and FY26 include indicative R&D capitalisation adjustments in December. FY26 run rate decline in margin driven by the impact of reduced R&D capitalisation as qualifying R&D activity decreases as Hydrate's products reach maturity.

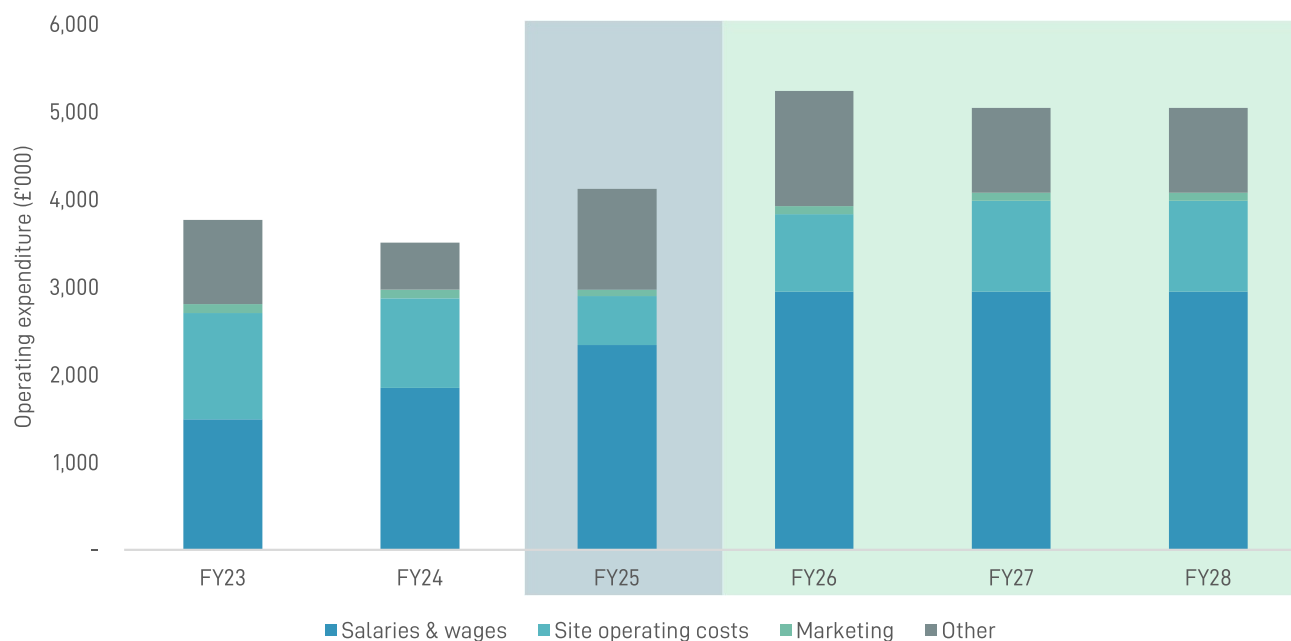
EUROPEAN LAUNCH CASE: FY25 FY26 EBITDA BRIDGE



BASE CASE: PROFIT & LOSS

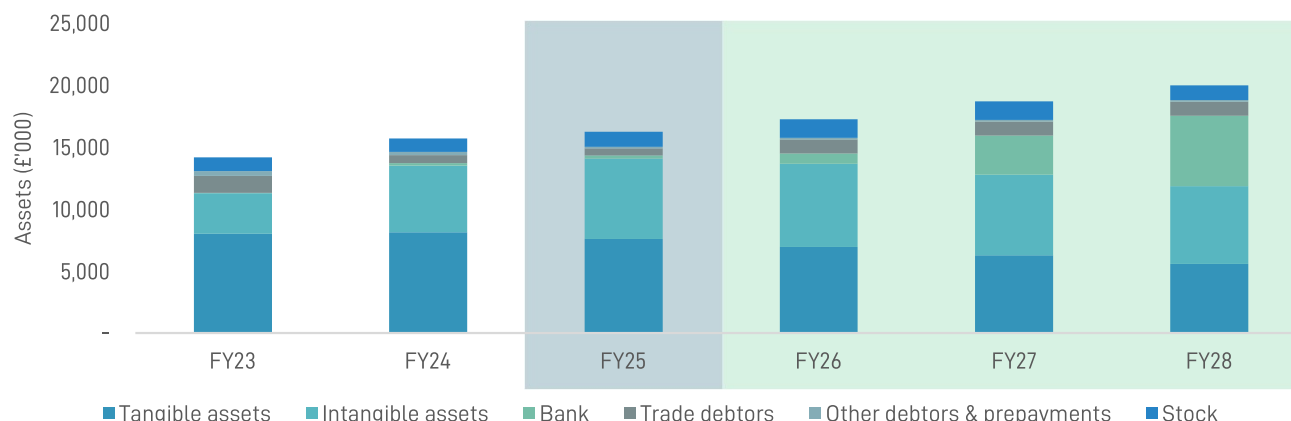


BASE CASE: OPERATING EXPENDITURE

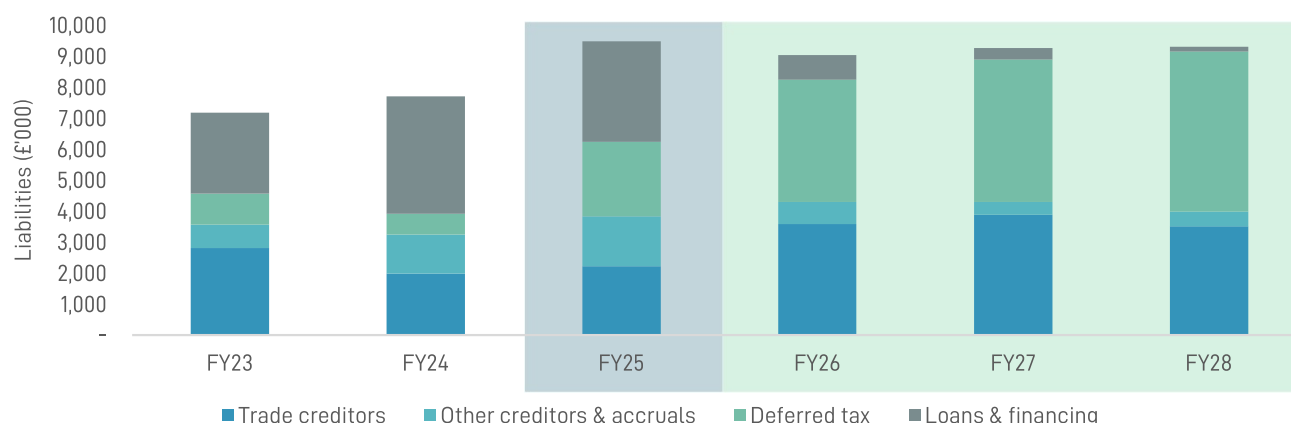


Profit and loss metrics	FY23	FY24	FY25	FY26	FY27	FY28
Year-on-Year Revenue Growth	32.4%	27.7%	20.7%	193.0%	4.8%	0.0%
Year-on-Year Gross Profit Growth	96.0%	49.7%	27.2%	148.2%	1.6%	0.0%
Year-on-Year Reported EBITDA Growth	44.7%	231.3%	-39.3%	353.1%	-0.9%	0.0%
Gross Profit Margin %	30.0%	35.2%	37.1%	31.4%	30.5%	30.5%
Reported EBITDA Margin %	-17.8%	18.3%	9.2%	14.2%	11.3%	11.3%

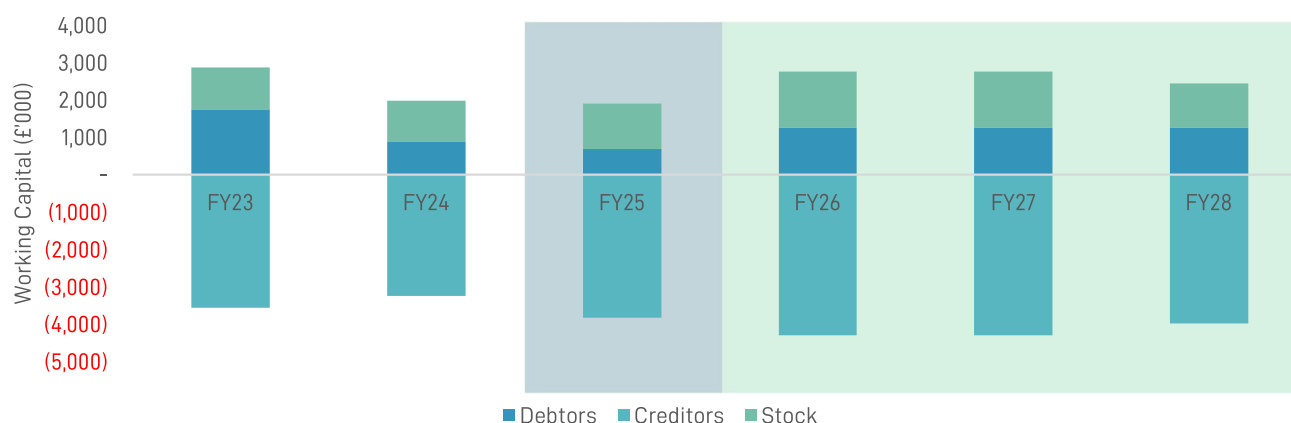
BASE CASE: ASSETS



BASE CASE: LIABILITIES



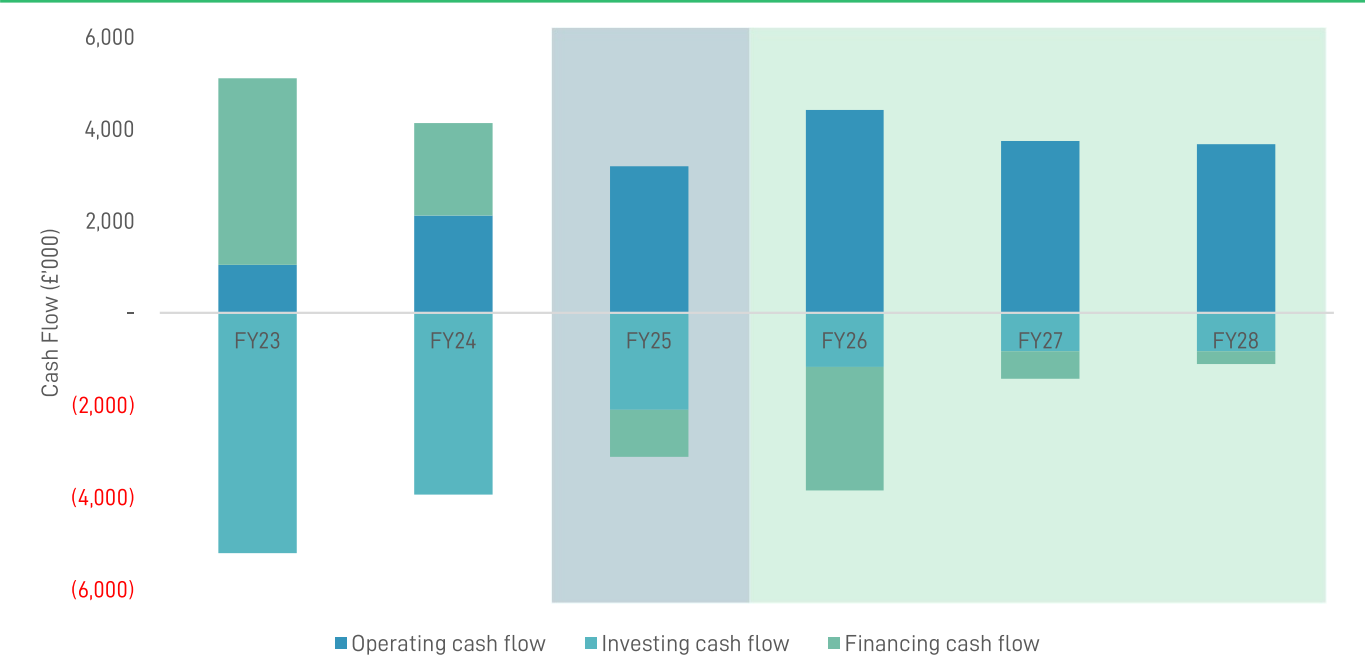
BASE CASE: WORKING CAPITAL



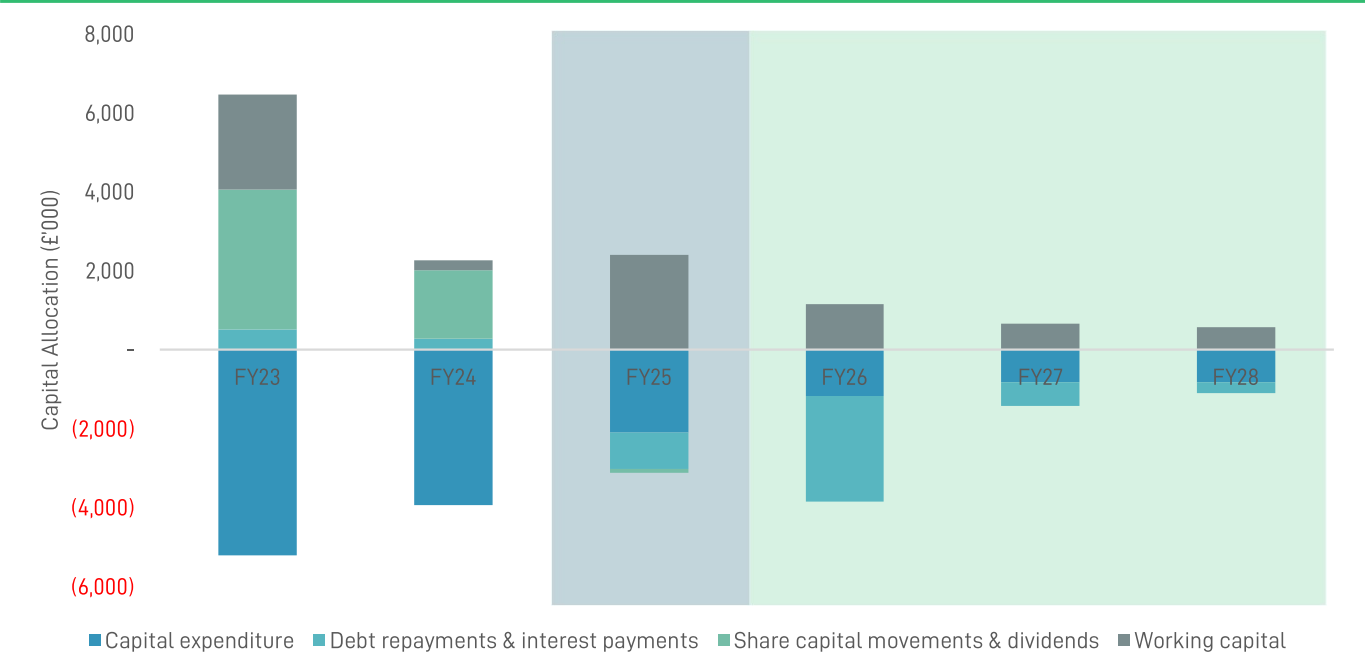
Balance sheet metrics

	FY23	FY24	FY25	FY26	FY27	FY28
Current ratio	81.4%	67.8%	57.0%	83.5%	137.3%	204.4%
Quick ratio	50.0%	34.2%	25.3%	48.6%	102.3%	174.5%
Debt/equity ratio	19.4%	24.9%	21.4%	5.3%	2.5%	1.0%
Asset turnover ratio	40.2%	47.5%	53.6%	149.8%	146.3%	136.0%

BASE CASE: CASH FLOW



BASE CASE: CAPITAL ALLOCATION



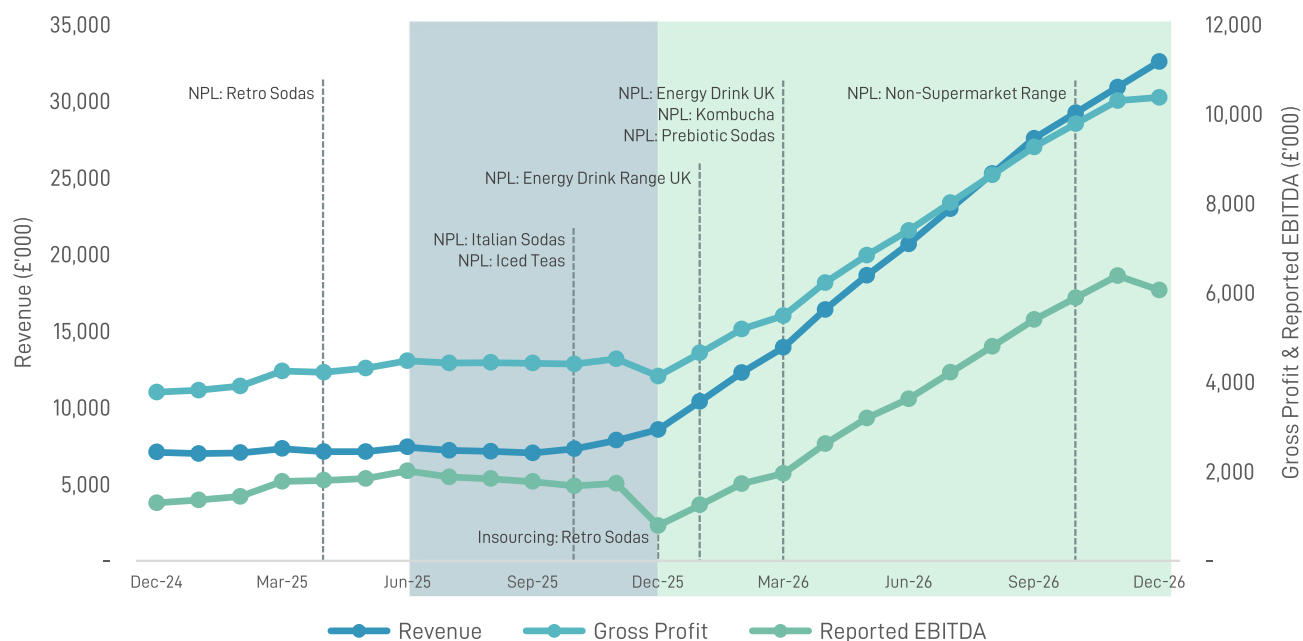
Cash flow metrics	FY23	FY24	FY25	FY26	FY27	FY28
Operating cashflow ratio	29.4%	65.2%	83.2%	102.7%	87.0%	92.1%
Cash conversion ratio	-105.7%	162.8%	404.0%	123.4%	125.9%	123.7%
Capital discipline	-498.9%	-186.3%	-66.1%	-26.6%	-22.2%	-22.6%
Debt repayment ratio	20.6%	42.6%	11.9%	5.5%	4.6%	1.7%
Cash flow margin	18.8%	29.8%	37.2%	17.6%	14.2%	13.9%



EUROPEAN LAUNCH CASE

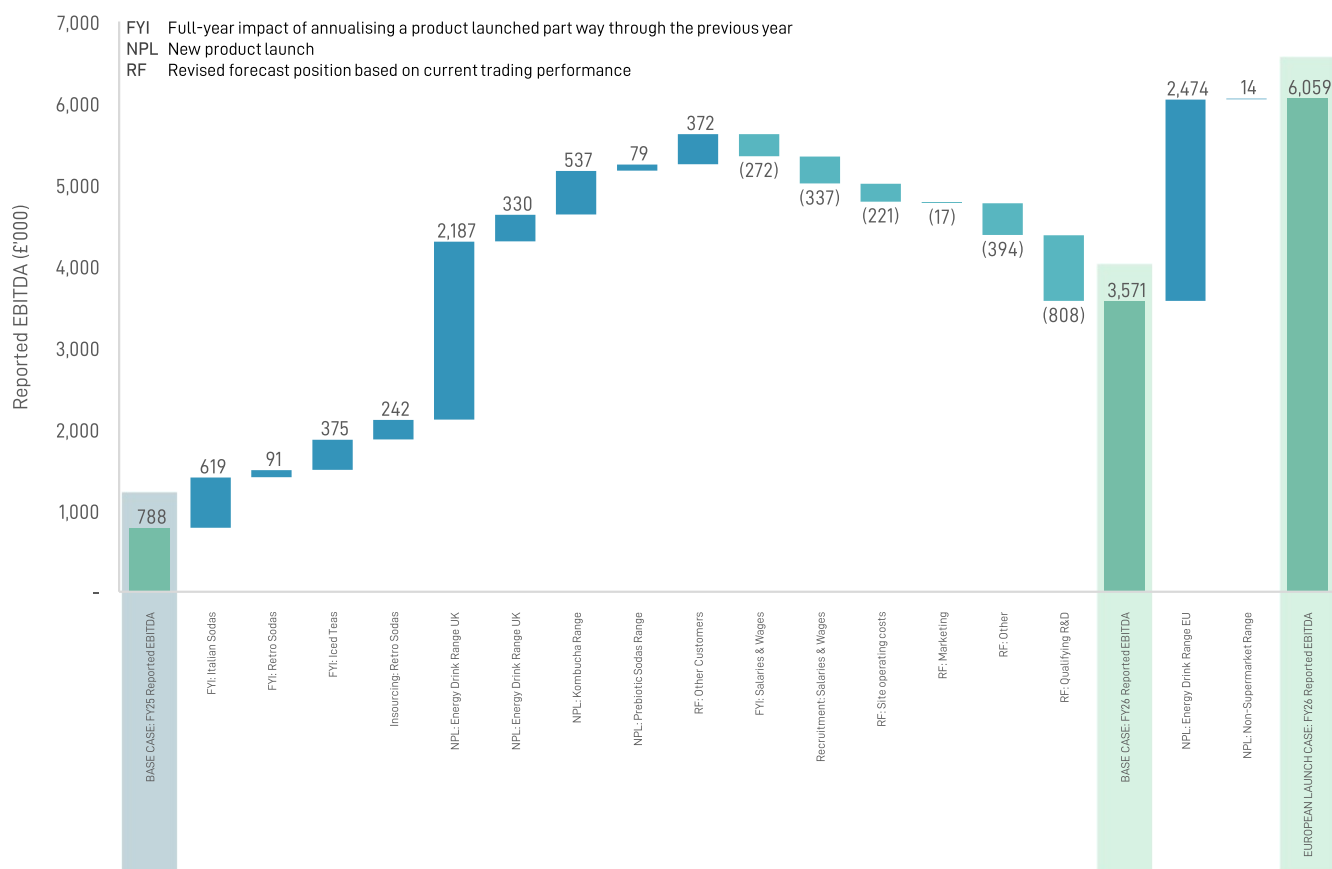
Rights Issue 2025: Financial Forecasts

EUROPEAN LAUNCH CASE: LTM RUN RATE PROFIT AND LOSS

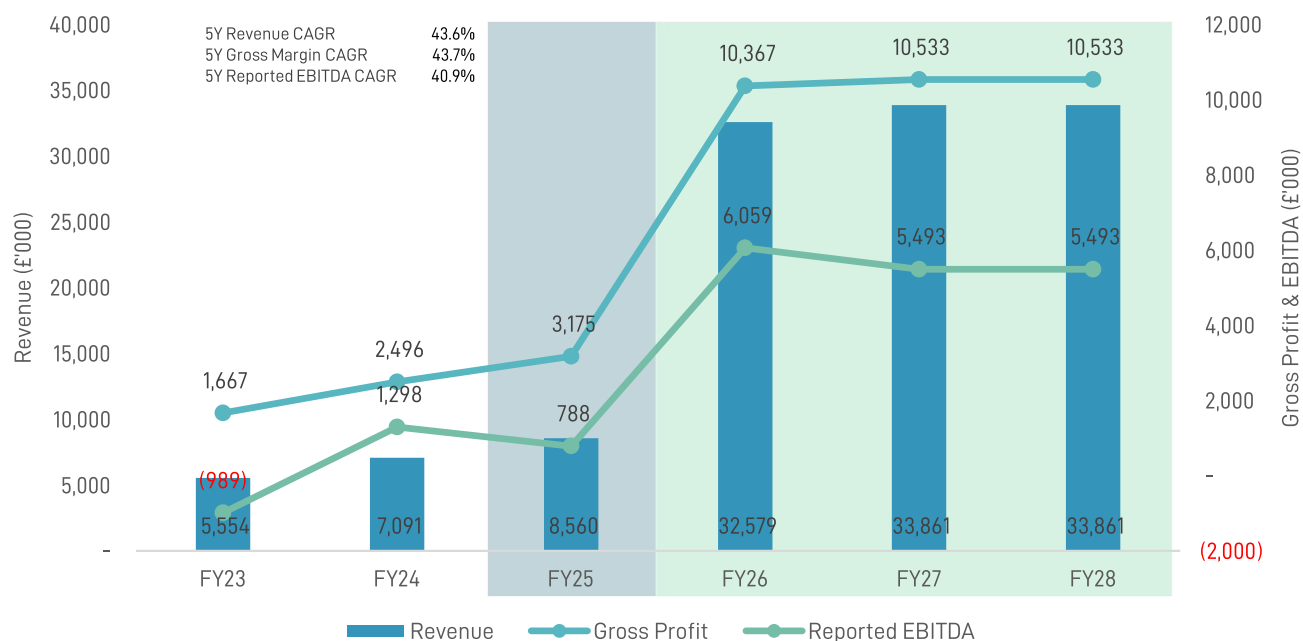


Note: Dec-24 includes year-end adjustments. The FY24 R&D year-end adjustment has been reversed out and reported separately and apportioned across the entire year. Reported EBITDA reconciles to the FY24 Statutory Accounts. FY25 and FY26 include indicative R&D capitalisation adjustments in December. FY26 run rate decline in margin driven by the impact of reduced R&D capitalisation as qualifying R&D activity decreases as Hydrate's products reach maturity.

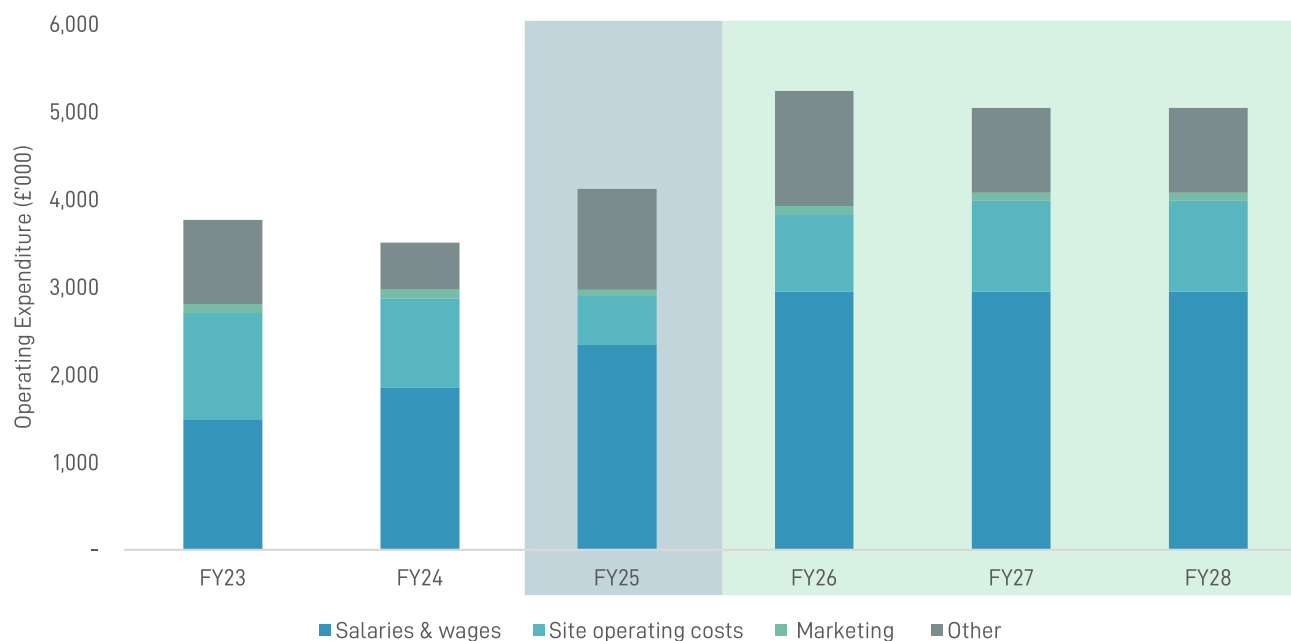
EUROPEAN LAUNCH CASE: FY25 FY26 EBITDA BRIDGE



EUROPEAN LAUNCH CASE: PROFIT & LOSS

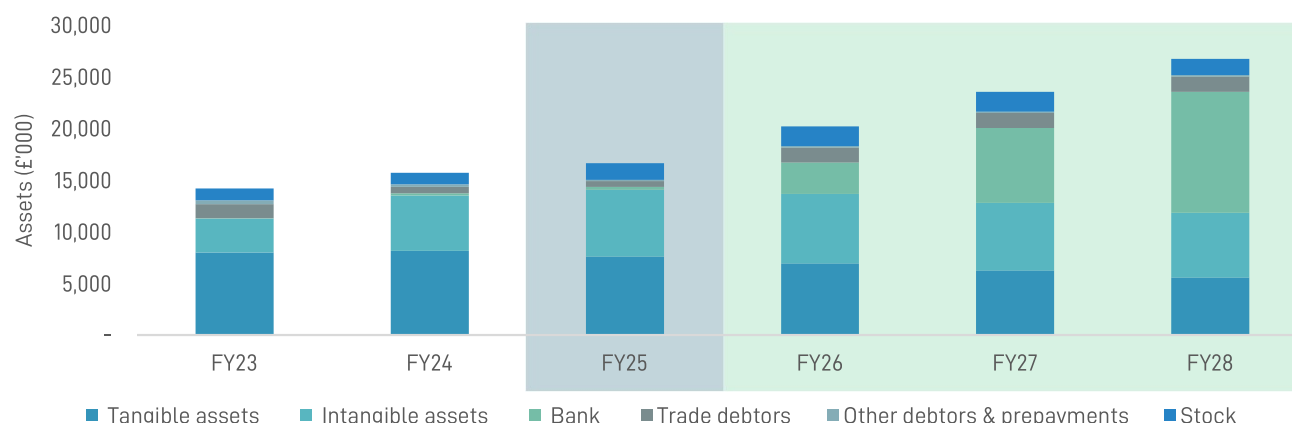


EUROPEAN LAUNCH CASE: OPERATING EXPENDITURE

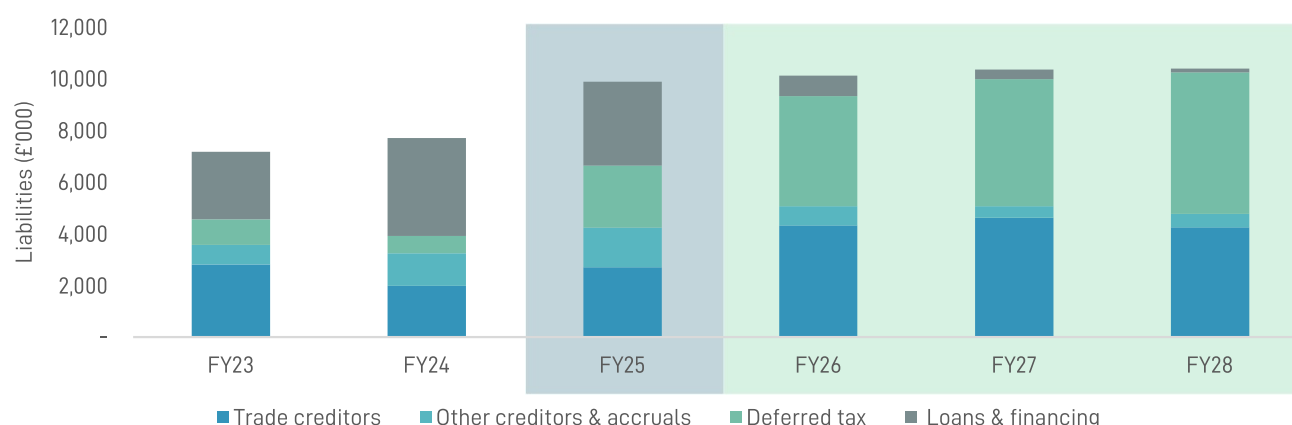


Profit and loss metrics	FY23	FY24	FY25	FY26	FY27	FY28
Year-on-Year Revenue Growth	32.4%	27.7%	20.7%	280.6%	3.9%	0.0%
Year-on-Year Gross Profit Growth	96.0%	49.7%	27.2%	226.5%	1.6%	0.0%
Year-on-Year Reported EBITDA Growth	44.7%	231.3%	-39.3%	668.9%	0.2%	0.0%
Gross Profit Margin %	30.0%	35.2%	37.1%	31.8%	31.1%	31.1%
Reported EBITDA Margin %	-17.8%	18.3%	9.2%	18.6%	16.2%	16.2%

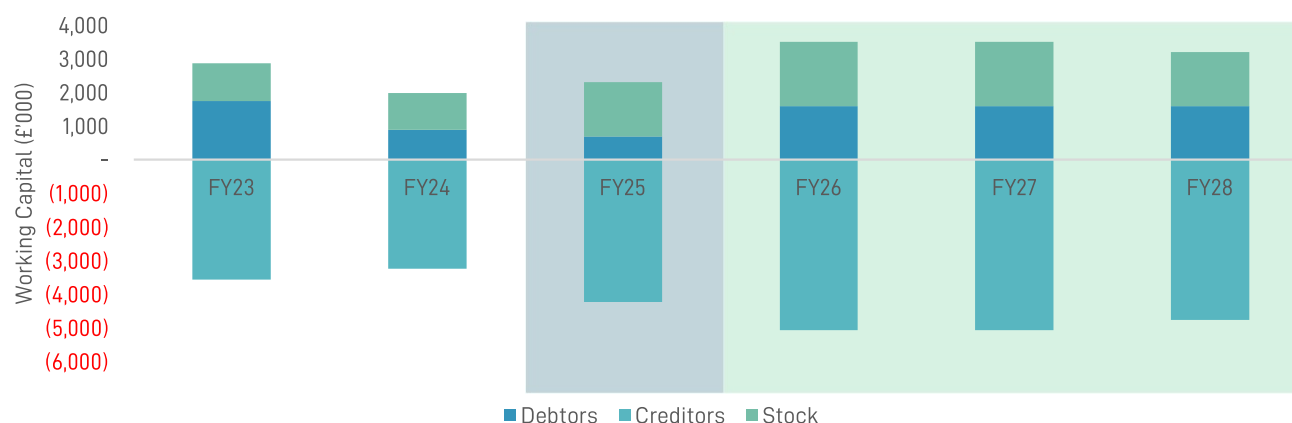
EUROPEAN LAUNCH CASE: ASSETS



EUROPEAN LAUNCH CASE: LIABILITIES



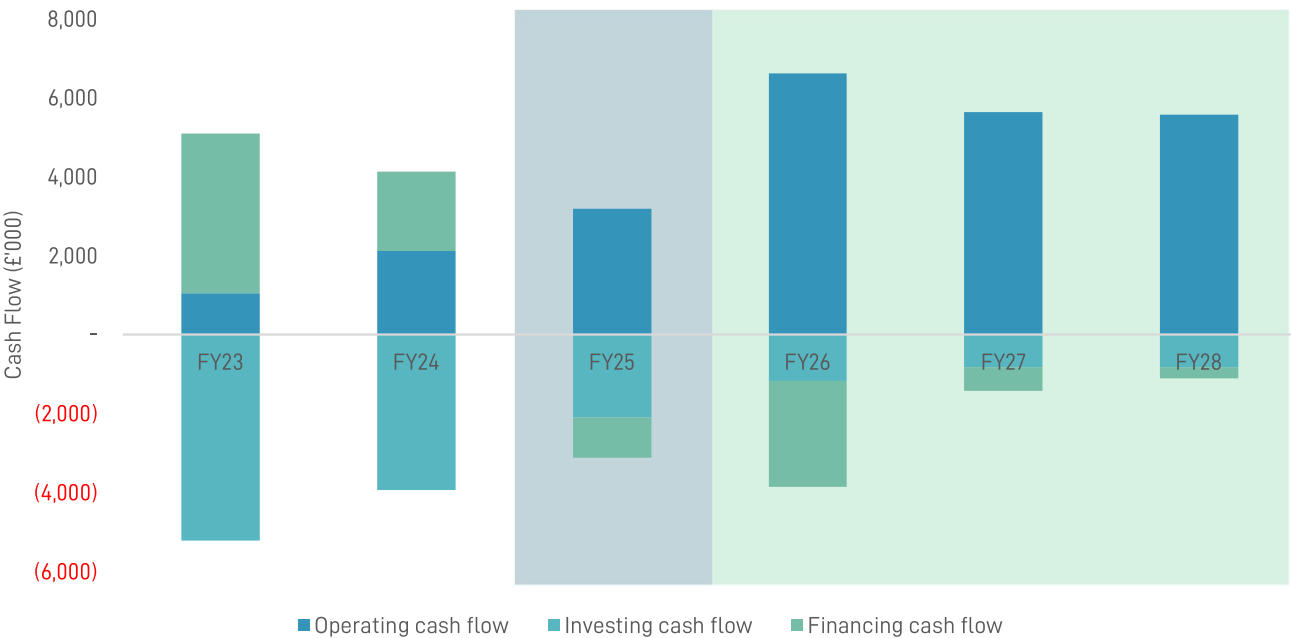
EUROPEAN LAUNCH CASE: WORKING CAPITAL



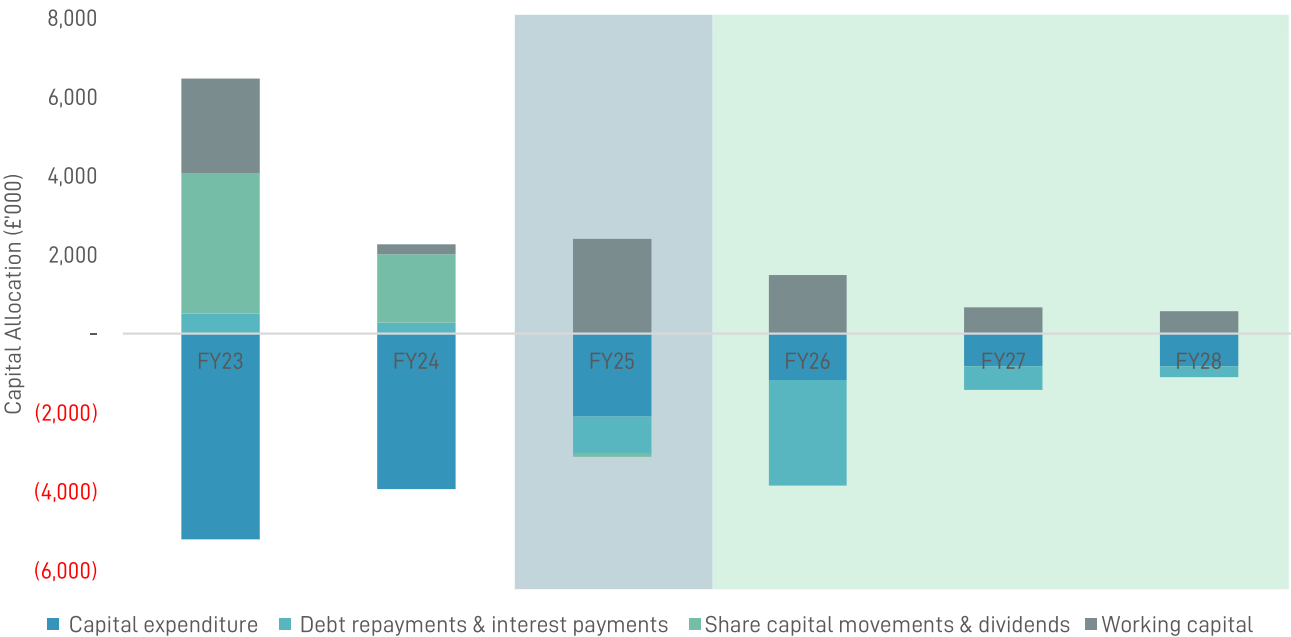
Balance sheet metrics

	FY23	FY24	FY25	FY26	FY27	FY28
Current ratio	81.4%	67.8%	61.1%	129.0%	212.1%	313.0%
Quick ratio	50.0%	34.2%	22.9%	91.4%	174.4%	279.4%
Debt/equity ratio	19.4%	24.9%	21.4%	5.3%	2.5%	1.0%
Asset turnover ratio	40.2%	47.5%	52.9%	176.9%	154.9%	134.7%

EUROPEAN LAUNCH CASE: CASH FLOW



EUROPEAN LAUNCH CASE: CAPITAL ALLOCATION



Cash flow metrics	FY23	FY24	FY25	FY26	FY27	FY28
Operating cashflow ratio	29.4%	65.2%	75.3%	130.5%	111.2%	116.9%
Cash conversion ratio	-105.7%	162.8%	404.0%	109.1%	102.6%	101.3%
Capital discipline	-498.9%	-186.3%	-66.1%	-17.8%	-14.7%	-14.9%
Debt repayment ratio	20.6%	42.6%	11.9%	3.7%	3.0%	1.1%
Cash flow margin	18.8%	29.8%	37.2%	20.3%	16.6%	16.4%



INVESTMENT SUMMARY

Strictly private and confidential

INVESTMENT SUMMARY

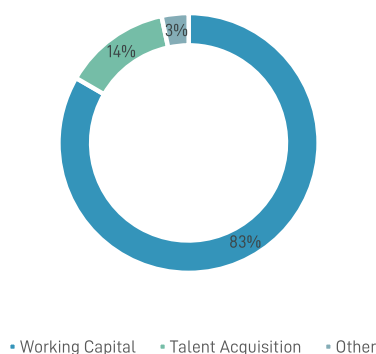
The 2025 Rights Issue investment opportunity is now open.

Hydrate requires additional funds to be able to purchase the working capital (raw materials, packaging etc) and recruit the necessary people to be able to fulfil the newly awarded supply contracts with its customers. The Board has resolved to make an offer to its shareholders to raise approximately £3,000,000 through a rights issue.

A rights issue is an offer to existing shareholders to subscribe for new shares in the Company in proportion to their existing shareholding. All shareholders have a right proportional to their existing shareholding to purchase new shares. Full details of the Rights Issue 2025 process and how to participate can be found in the Offer Letter. These are summarised below for ease of reference.

Offer price per share	£0.20
Number of shares under offer	15,000,000
Target	£3,000,000
Entitlement ratio	Proportional to existing shareholding
Record date	22 August 2025
Offer opening date	27 August 2025
Offer closing date	10 October 2025

FUND ALLOCATION



Working capital directly relates to the funds required to procure the raw materials required to fulfil the newly secured supply contracts commencing in Q4 FY25 and Q1 FY26.

Talent acquisition relates to the recruitment of new production team members and senior executives to fulfil the newly secured supply contracts and deliver further growth.

Other relates to all other costs and associated expenditure that cannot be directly attributed to the either of the above categories.

INDICATIVE RETURNS

The Company cannot offer investment advice to its shareholders.

To facilitate understanding of what purchasing a single share today as parts of the Rights Issue 2025 could deliver in returns the below table has been prepared.

Year	EBITDA	6x	PPS	ROI	7x	PPS	ROI	8x	PPS	ROI
FY26	£5.1m	£30.8m	0.50	152%	£35.9m	0.58	191%	£41.1m	0.66	231%
FY27	£5.5m	£33m	0.61	206%	£38.4m	0.70	249%	£43.9m	0.78	292%

Target

Hydrate as an innovation led manufacturer and is targeting a 7x EBITDA valuation (minimum 6x). This multiple may increase as more brands are launched, and the portfolio mix shifts towards high-margin, Hydrate-brand products over private-label.

Investing now as part of the Rights Issue 2025 process, could deliver a return on investment between 1.5x and 2.3x within one year and between 2.0x and 2.9x return on investment in three years.

If you are interested in taking part in the Rights Issue, details of the process can be found within the Offer Letter.



APPENDIX

BASE CASE: PROFIT & LOSS ACCOUNT

Hydrate Drinks Group Limited Y/e 31 December Profit & Loss Account (£'000)	Actual FY23	Actual FY24	Outturn FY25	Forecast FY26	Forecast FY27	Forecast FY28
Revenue	5,554	7,091	8,560	25,078	26,276	26,276
Cost of sales	(3,887)	(4,595)	(5,385)	(17,199)	(18,273)	(18,273)
Gross Profit	1,667	2,496	3,175	7,879	8,002	8,002
<i>Gross Profit Margin %</i>	<i>30.0%</i>	<i>35.2%</i>	<i>37.1%</i>	<i>31.4%</i>	<i>30.5%</i>	<i>30.5%</i>
Salaries & wages	(1,491)	(1,846)	(2,336)	(2,945)	(2,945)	(2,945)
Site operating costs	(1,209)	(1,023)	(559)	(883)	(1,038)	(1,038)
Marketing	(105)	(99)	(73)	(90)	(90)	(90)
Other	(959)	(537)	(1,150)	(1,313)	(967)	(967)
Total Overheads	(3,764)	(3,505)	(4,118)	(5,232)	(5,040)	(5,040)
EBITDA	(2,096)	(1,010)	(943)	2,648	2,962	2,962
<i>EBITDA Profit Margin %</i>	<i>-37.7%</i>	<i>-14.2%</i>	<i>-11.0%</i>	<i>10.6%</i>	<i>11.3%</i>	<i>11.3%</i>
R&D Capitalisation	1,108	2,308	1,731	923	577	577
Reported EBITDA	(989)	1,298	788	3,571	3,539	3,539
<i>Reported EBITDA Profit Margin %</i>	<i>-17.8%</i>	<i>18.3%</i>	<i>9.2%</i>	<i>14.2%</i>	<i>13.5%</i>	<i>13.5%</i>

BASE CASE: BALANCE SHEET

Hydrate Drinks Group Limited Y/e 31 December Balance Sheet (£'000)	Actual FY23	Actual FY24	Outturn FY25	Forecast FY26	Forecast FY27	Forecast FY28
Tangible assets	7,998	8,144	7,602	6,954	6,281	5,582
Intangible assets	3,282	5,352	6,457	6,700	6,508	6,258
Fixed Assets	11,280	13,496	14,059	13,654	12,788	11,840
Bank	32	218	280	831	3,136	5,694
Trade debtors	1,373	646	560	1,126	1,126	1,126
Other debtors & prepayments	374	244	127	127	127	127
Stock	1,120	1,090	1,214	1,499	1,499	1,190
Current Assets	2,898	2,198	2,181	3,584	5,888	8,137
Total Assets	14,177	15,694	16,240	17,238	18,677	19,977
Trade creditors	(2,808)	(1,977)	(2,213)	(3,582)	(3,878)	(3,507)
Other creditors & accruals	(750)	(1,263)	(1,612)	(708)	(412)	(473)
Deferred tax	(996)	(672)	(2,403)	(3,936)	(4,589)	(5,155)
Loans & financing	(2,612)	(3,785)	(3,240)	(801)	(372)	(154)
Total Liabilities	(7,167)	(7,697)	(9,469)	(9,026)	(9,250)	(9,290)
Net Assets	7,011	7,997	6,771	8,211	9,426	10,687
Share Capital & Share Premium	13,471	15,211	15,115	15,115	15,115	15,115
Retained Earnings	(6,460)	(7,214)	(8,344)	(6,904)	(5,689)	(4,428)
Total Capital and Reserves	7,011	7,997	6,771	8,211	9,426	10,687

BASE CASE: CASH FLOW STATEMENT

Hydrate Drinks Group Limited Y/e 31 December Cash Flow Statement (£'000)	Actual FY23	Actual FY24	Outturn FY25	Forecast FY26	Forecast FY27	Forecast FY28
EBITDA	(989)	1,298	788	3,571	3,539	3,539
Tax paid & other adjustments	(377)	571	-	(310)	(462)	(441)
Cash from operating activities (before w/c)	(1,366)	1,869	788	3,261	3,078	3,098
Change in trade debtors	(552)	727	86	(566)	-	-
Change in other debtors & prepayments	3,956	130	117	-	-	-
Change in stock	(119)	29	(123)	(286)	(0)	309
Change in trade creditors	(2,588)	(831)	236	1,368	297	(371)
Change in other creditors & accruals	978	513	349	(905)	(296)	62
Change in deferred tax	737	(324)	1,731	1,533	653	567
Cash from operating activities	1,045	2,114	3,183	4,406	3,731	3,665
Capital expenditure & research & development	(5,216)	(3,938)	(2,103)	(1,173)	(827)	(827)
Cash from investing activities	(5,216)	(3,938)	(2,103)	(1,173)	(827)	(827)
Loan repayments	720	1,172	(545)	(2,439)	(429)	(218)
Interest payments	(216)	(901)	(378)	(242)	(170)	(62)
Capital redemption & dividends	3,541	1,740	(96)	-	-	-
Cash from financing activities	4,046	2,011	(1,019)	(2,682)	(599)	(280)
Cash balance b/f	156	32	218	280	831	3,136
Net change in cash	(125)	186	62	552	2,305	2,558
Cash balance c/f	32	218	280	831	3,136	5,694

EUROPEAN LAUNCH CASE: PROFIT & LOSS

Hydrate Drinks Group Limited Y/e 31 December Profit & Loss Account (£'000)	Actual FY23	Actual FY24	Outturn FY25	Forecast FY26	Forecast FY27	Forecast FY28
Revenue	5,554	7,091	8,560	32,579	33,861	33,861
Cost of sales	(3,887)	(4,595)	(5,385)	(22,212)	(23,328)	(23,328)
Gross Profit	1,667	2,496	3,175	10,367	10,533	10,533
<i>Gross Profit Margin %</i>	<i>30.0%</i>	<i>35.2%</i>	<i>37.1%</i>	<i>31.8%</i>	<i>31.1%</i>	<i>31.1%</i>
Salaries & wages	(1,491)	(1,846)	(2,336)	(2,945)	(2,945)	(2,945)
Site operating costs	(1,209)	(1,023)	(559)	(883)	(1,038)	(1,038)
Marketing	(105)	(99)	(73)	(90)	(90)	(90)
Other	(959)	(537)	(1,150)	(1,313)	(967)	(967)
Total Overheads	(3,764)	(3,505)	(4,118)	(5,232)	(5,040)	(5,040)
EBITDA	(2,096)	(1,010)	(943)	5,135	5,493	5,493
<i>EBITDA Profit Margin %</i>	<i>-37.7%</i>	<i>-14.2%</i>	<i>-11.0%</i>	<i>15.8%</i>	<i>16.2%</i>	<i>16.2%</i>
R&D Capitalisation	1,108	2,308	1,731	923	577	577
Reported EBITDA	(989)	1,298	788	6,059	6,070	6,070
<i>Reported EBITDA Profit Margin %</i>	<i>-17.8%</i>	<i>18.3%</i>	<i>9.2%</i>	<i>18.6%</i>	<i>17.9%</i>	<i>17.9%</i>

EUROPEAN LAUNCH CASE: BALANCE SHEET

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Fixed Assets	11,280	13,496	14,059	13,654	12,788	11,840
Bank	32	218	280	3,034	7,242	11,697
Trade debtors	1,373	646	560	1,468	1,468	1,468
Other debtors & prepayments	374	244	127	127	127	127
Stock	1,120	1,090	1,617	1,907	1,907	1,598
Current Assets	2,898	2,198	2,584	6,536	10,744	14,891
Total Assets	14,177	15,694	16,643	20,190	23,533	26,731
Trade creditors	(2,808)	(1,977)	(2,697)	(4,315)	(4,612)	(4,241)
Other creditors & accruals	(750)	(1,263)	(1,532)	(750)	(454)	(515)
Deferred tax	(996)	(672)	(2,403)	(4,247)	(4,905)	(5,472)
Loans & financing	(2,612)	(3,785)	(3,240)	(801)	(372)	(154)
Total Liabilities	(7,167)	(7,697)	(9,872)	(10,113)	(10,343)	(10,382)
Net Assets	7,011	7,997	6,771	10,077	13,190	16,349
Share Capital & Share Premium	13,471	15,211	15,115	15,115	15,115	15,115
Retained Earnings	(6,460)	(7,214)	(8,344)	(5,038)	(1,925)	1,234
Total Capital and Reserves	7,011	7,997	6,771	10,077	13,190	16,349

EUROPEAN LAUNCH CASE: CASH FLOW STATEMENT

Hydrate Drinks Group Limited Y/e 31 December Cash Flow Statement (£'000)	Actual FY23	Actual FY24	Outturn FY25	Forecast FY26	Forecast FY27	Forecast FY28
EBITDA	(989)	1,298	788	6,059	6,070	6,070
Tax paid & other adjustments	(377)	571	-	(932)	(1,094)	(1,074)
Cash from operating activities (before w/c)	(1,366)	1,869	788	5,126	4,975	4,996
Change in trade debtors	(552)	727	86	(908)	-	-
Change in other debtors & prepayments	3,956	130	117	-	-	-
Change in stock	(119)	29	(527)	(290)	(0)	309
Change in trade creditors	(2,588)	(831)	720	1,618	297	(371)
Change in other creditors & accruals	978	513	268	(782)	(296)	62
Change in deferred tax	737	(324)	1,731	1,844	658	567
Cash from operating activities	1,045	2,114	3,183	6,609	5,634	5,563
Capital expenditure & research & development	(5,216)	(3,938)	(2,103)	(1,173)	(827)	(827)
Cash from investing activities	(5,216)	(3,938)	(2,103)	(1,173)	(827)	(827)
Loan repayments	720	1,172	(545)	(2,439)	(429)	(218)
Interest payments	(216)	(901)	(378)	(242)	(170)	(62)
Capital redemption & dividends	3,541	1,740	(96)	-	-	-
Cash from financing activities	4,046	2,011	(1,019)	(2,682)	(599)	(280)
Cash balance b/f	156	32	218	280	3,034	7,242
Net change in cash	(125)	186	62	2,754	4,208	4,456
Cash balance c/f	32	218	280	3,034	7,242	11,697